

Nation's Business



WHAT VOTERS THINK NOW

**SURVEY OF
BELLWETHER COUNTIES**

PAGE 62



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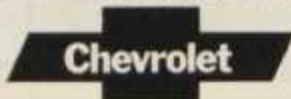
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Cover photographs by Bruce McAllister-Black Star

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UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING
MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

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Memo From the Editor

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You can find polls that predict just about any of the many leading Presidential hopefuls will win.

You won't find such a poll in *Nation's Business*. But you will find, starting on page 62, an analysis of how the voters are feeling right now in three rather untypical counties in Oregon, Wyoming and Iowa.

You may wonder why in the world we would pinpoint these counties. The fact is that they are the only three in the United States which have voted for the winning candidate in every Presidential election in this century. So the views of voters there are particularly interesting, even though the counties may not be bellwethers again in 1972.

As a matter of fact two other counties—both of them in New Hampshire—dropped off the bellwether list as a result of the 1968 election. They went for HHH.

We sent Associate Editor Robert Gray to the remaining three for a completely unscientific sampling of voter sentiment. We make no claim that his results are a true prediction of the election outcome.

Anything can happen between now and election day, of course. But, as of now, if the bellwether counties are right, President Nixon will be the winner.

Incidentally, that was also our conclusion from surveying the five counties four years ago.

Voters generally seem to approve of the President's new economic program—so far.

As businessmen, you, of course, are affected most by the price control aspects of the program. You may be interested in what kind of guy is running it. Associate Editor Grover Heiman spent hours with Price Commission Chairman C. Jackson Grayson on a workday and on a weekend to bring you the profile starting on page 26.

Grover also researched in depth the Commission's new policy of pricing for large companies with multiple products. Maybe you'll want to use TLP, too. It's explained on page 32.

Enforcement of the controls, of course, has been handed to the Internal Revenue Service. Associate Editor David McLean talked with Internal Revenue



Mr. Gray



Mr. Heiman



Mr. McLean

Commissioner Johnnie Walters about this, and 'about his agency's tax work as well. This exclusive begins on page 42.

One happy note: It just could be that the IRS agents will be so busy checking prices that they won't have much time to audit honest men's income tax returns.

Speaking of taxes, one that's been tried out in a number of other countries will probably get a great deal of attention in ours this year. It's called the "value-added tax."

President Nixon is having it studied as a possible alternative to some property taxes to support schools. It has also been considered for a long time as a substitute for at least part of the corporate income tax.

Many who do not understand VAT attack it as a "national sales tax," which it isn't. It would be more equitable for many businesses than the corporate tax, perhaps less desirable for others. But if it's adopted it would have a definite impact on practically every business.

A greatly simplified explanation, including easy-to-follow cartoons, begins on page 48. You might want to tear it out and keep it for reference.

That way you'll remember you read it first in *Nation's Business*.

Jack Woodridge

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Letters

"Capturing" J. Edgar Hoover

• That was a great article on Mr. Hoover ["J. Edgar Hoover Speaks Out," January]. He is a great American, a great administrator and a warm, thoughtful man—qualities I believe you captured as you penetratingly explored both him and the agency he leads. My compliments to you on a job well and fairly done.

H. G. FOSTER
Vice President
American Airlines, Inc.
Chicago, Ill.

• Congratulations on your excellent interview with J. Edgar Hoover. I was delighted to see a story that came to his defense, because I know what an outstanding job he has done through the years.

It certainly was timed appropriately. As I was listening to the radio this morning, former Sen. [Eugene] McCarthy [D.-Minn.] was back on the air stating that one of his objectives, if he were elected President, was to "dump" Mr. Hoover.

E. A. PALMER, CCE
President and General Manager
Greater Providence Chamber of Commerce
Providence, R.I.

• The Hoover interview, which I read with interest, would have been a better story if it had included commentary on the period when the Kennedys were in office.

Certainly the Justice Department was a much more active place during the Kennedy years than it is now.

KENNETH R. WEIDNER
Ticonderoga, N.Y.

Hail, Hawaii

• Although I admire California's leadership in many areas and support her zealously, I must take exception to your crediting her with the first state consolidation of transportation agencies ["Business: A Look Ahead," January]. I think you will find Hawaii was the first, when the islands became a state in 1959, and that jewel in the Pacific rightfully should bask in the leadership limelight.

CARL W. OTTO
San Francisco, Calif.

Fazed by Phase II

• I think it is clear that Phase II of the current wage price controls has proved to be very complex to administer.

As you know, most of the difficulty lies with organized labor's demands for raises which exceed the 5.5 per cent guideline.

Another means is needed to control inflationary wages and prices. If businesses were limited by law to granting pay raises only out of profits, most businessmen would give raises only when profits increased. In economic theory, increased productivity (except in an extraordinary situation) is the only justification for increased wages.

This approach would not do away with the necessity for a wage or price board to handle exceptions, but it is founded on sound economic theory and substitutes accounting decisions for political ones.

Speaking as a certified public accountant, I don't think the accounting would be difficult at all. The advantages from an administrative viewpoint would be numerous. Instead of a review of every company's application for increases in wages and prices each year, a spot check need only to be made to see that the company has not raised its prices. If it has not raised its prices, and it grants a pay raise, then the pay raise must be paid out of the company's profits (thus reducing company's profit margin if profits have not increased). Inflation is stopped.

To justify a price increase, the company would have to show that the price of an item (other than wages) has increased.

The amount of the price increase could be limited to maintaining the old profit margin per product. Ordinary competitive pressures would prevent the business from unnecessarily buying higher priced items in order to obtain a price increase.

TERRY SHELL
Dallas, Texas

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Letters *continued*

Truck with the Soviets

• The personal convictions and civic achievements of Zenon Hansen as described in your January issue ["Lessons of Leadership"] are to be applauded. Yet I feel he tends to make light of his recent negotiations with the Soviet Union.

The plans were for Mack Truck to build the world's largest heavy truck factory on the Kama River. The Soviet Union produces a sufficient number of heavy trucks for its domestic needs. Why then did they want this plant? Because there is a tendency for the trucks they now produce to be blown up while carrying supplies on the Ho Chi Minh Trail.

I am proud to say that Young Americans for Freedom, the nation's largest conservative youth group, was in the forefront of opposition to these plans, which have now been canceled.

YAF considers it morally offensive for American businessmen to supply goods for communist regimes so their internal needs will not suffer as they continue their aggression in Viet Nam and other parts of the world.

DARRYL POOL
Texas Christian University YAF
Ft. Worth, Texas

Coordination on licenses

• The headline, "Harassment of the Harried," on the January "Sound Off Response" made me think the information was about our American middle class.

Every business requires a city or county license, but a requirement of a professional license in the sense that it's required of nurses, doctors, teachers or lawyers would be impossible to administer without great additional costs and manpower.

But why in the world is there no coordination between the police departments and business licensing bureaus, whereby a crooked business establishment's license is revoked upon sufficient charges and upon administrative hearing before the proper city or county commission?

To maintain our system we do have to desist in the harassment of the harried.

R. RICHARD FUSILIER
Hollywood, Calif.

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Premature on births?

• Your article "Bye, Bye Baby Boom" (December) is sadly naïve and misleading. One of the very worst mistakes we can make is to lull ourselves into thinking that the population explosion is a mirage. Our population has been growing by about 25 million in each decade.

"Baby bust," my eye! Last year we had over 3.5 million births. That is more births by far than in any year in our history prior to 1947—and more than in 1948, 1949, 1950, 1967, 1968 or 1969. It is 2½ times as many births as we had in 1920, and we need this large number of births less than ever before.

The only way to reach a population growth rate of zero is to convince our people that two children per family should be the maximum number. Because if every family has three children the population doubles about every 35 years.

Even if we did, by some miracle, convince everyone to limit his family to two children, it would take until after the turn of the century for our population to stabilize.

J. HARRISON LIVINGSTON
Knoxville, Tenn.

Farms and pollution

• Re the letter by Merle E. Sheetz in your January issue concerning American Can Co. Chairman William F. May's article "Return to Cave and Candle?", November.

We have heard so many times that the farmer is among the worst polluters of our streams and rivers, and although it is assumed that Mr. Sheetz is attempting a denial, he does nothing but say, "taint so."

When one views the despoiled land around the tremendous cattle feeding lots in the West where the stench is smelled for miles, thus polluting the air at least, and witnesses the tons of fertilizers and pesticides that the farmer pours on his crops, one is inclined to give almost immediate approval to Mr. May's statement that "farmers are major polluters." Add to this, of course, that our methods of cultivation have dumped millions of tons of rich soil into our rivers and streams for years on end.

WILLIAM O. BROWN
Secretary
Cities Service Oil Co.
Tulsa, Okla.

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John J. Giffigan
Governor, State of Ohio

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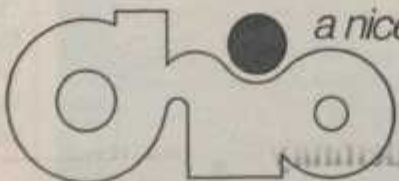
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a nice place to raise a business.

Ohio Department of Development,
Dr. David C. Sweet, Director.

IDA

Indian self-determination

• Your magazine serves an extremely important function in enlightening Americans as to progress in business; perhaps even more important in upholding the system of free enterprise that is one of the bulwarks of a thriving democratic society.

As a resident of New Mexico involved in many projects concerning the advancement of the Indian people in arts and industry, I was particularly interested to read the article "Indian Wool Makes the Grade" [January].

While it is very crucial to the economy of our nation and also to the Indian tribes to learn new ways in which to utilize their products, such as wool, etc., it would be more to the credit of our government and the Indian people if Indian business leadership were directly involved in such procedures.

If George W. Hubley Jr. of the Bureau of Indian Affairs had called upon an American Indian businessman, instead of Irving Schwartz, to initiate a "dramatic new enterprise," a greater milestone would have been achieved, as well as impetus given to President Nixon's stated policy of "Indian self-determination."

There are many fine examples of growth in industry by Indian owned and operated businesses, which are quite successful; and there would be more if government leaders would grant the equal opportunities in recognition and support given to other non-Indian businesses.

My company has produced its first film—it did it in conjunction with BFA Educational Media, of Santa Monica, Calif., due to insufficient capital. The film was extremely successful, proving that the cultural assets of the American Indian are sufficient for success in the film medium. The company plans to produce at least 10 more films on different phases of Indian history, heritage, arts, law, etc., providing that the budget for such films is attainable in the foreseeable future.

RUTH BALLARD

*Executive Secretary and
Public Relations Director
First American Indian Films, Inc.
Santa Fe, N. Mex.*



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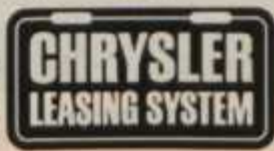
We're a nationwide system of leasing professionals. We can service and deliver most anywhere in the country. We can handle insurance, dispose of the car you have now and write the lease that's tailor-made for you and your specific business needs.

Leasing from us also means you'll save that big capital investment you'd rather put someplace else. And you'll have exact tax records.

So whether you work for a big company, a small company, own your own company or are a professional, it all comes down to this: if you use a car for business, you ought to lease it. From us. Your local members of Chrysler Leasing System. Find us in the Yellow Pages under "Auto Renting and Leasing."



Our business is business cars



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Executive Trends

BY JOHN COSTELLO
Associate Editor

- Cashing in on holidays • How fleet buyers buy
- The alcoholic executive • Cutting down on data

Profiting from the long weekends? Lots of people are.

DATO—that's Discover America Travel Organizations, Inc.—says the observance of four holidays on Mondays which began last year has had a big impact on business.

Many resorts, restaurants and tourist attractions report visits have been up 20 per cent on the stretched weekends.

"And there is an extra dividend," DATO says.

The first holiday, Washington's Birthday, falls in February.

And the last, Veterans' Day, comes on the fourth Monday in October.

"As a result," DATO adds, "they stretch the tourist season. And a short season is one of the industry's thorniest problems."

Eastern Air Lines, Inc., has done far better than 20 per cent more business on the long weekends.

Last autumn, it put together a package of mini-vacations, tailored to them.

Vacations where?

Places like the Bahamas, Florida, Mexico, Montreal, New Orleans or San Juan.

Eastern pushed the mini-vacations with catchy ads.

"It's now within your means to live beyond your means. At least for a weekend," one read.

"Our pleasure travel shot up 200 per cent during a normally slow season," says Maurice Kelley, Eastern division vice president for marketing, planning and advertising.

"It was impulse buying. People were booking as little as a day in advance."

This winter, Eastern's trying even harder.

It has 85 quickie vacations on its travel menu.

Wonder why?

How fleet buyers choose a car

Not by looks or mileage per gallon.

"Economy ranks fifth," says a

spokesman for the National Association of Fleet Administrators, Inc.

"The top factor in car selection is how much the car will sell for after its period of use is over."

Other factors, in order of importance, are initial cost, serviceability and percentage of depreciation, a recent NAFA survey shows.

"Year after year, resale value heads the list," NAFA says.

"But some other factors have shifted in importance.

"For example, in 1971, initial cost moved up from fourth to second. Naturally, when money's tight, someone's going to ask, 'How much are we paying for these things?' Probably the vice president, finance."

If he hits the bottle

Don't ignore the problem; it won't go away.

That's Dow Chemical Co.'s view.

"The alcoholic executive is a fact of life," a company spokesman says.

"Here's what the experts estimate. One out of every 15 Americans who drink will be—or is—an alcoholic."

The chemical firm has a two-point program to deal with the alcoholic employee:

1. Identify him.
2. Dry him out with the help of counseling and other assistance.

"He won't straighten himself out," says Dr. Harold L. Gordon of Dow's medical department. "The odds are way against it."

"We have the man's boss take the first step. He tells him, not that he's an alcoholic, but that something's going wrong. And that drinking seems to be part of it."

"He's urged to see a doctor."

"If there's no improvement, we go back to him again."

"Finally, we insist on medical attention, and counseling with his clergyman or Alcoholics Anonymous, and put him on six months' probation. Any drinking, he's told, and he's off the payroll. That usually gets

We're involved with people.

Any place you find our plants or offices, you'll find U.S. Steel people concerned with the problems and the people around them.

Youth, for instance. We sponsor about 50 Junior Achievement projects across the nation...to help give young people a challenge and a sense of accomplishment.

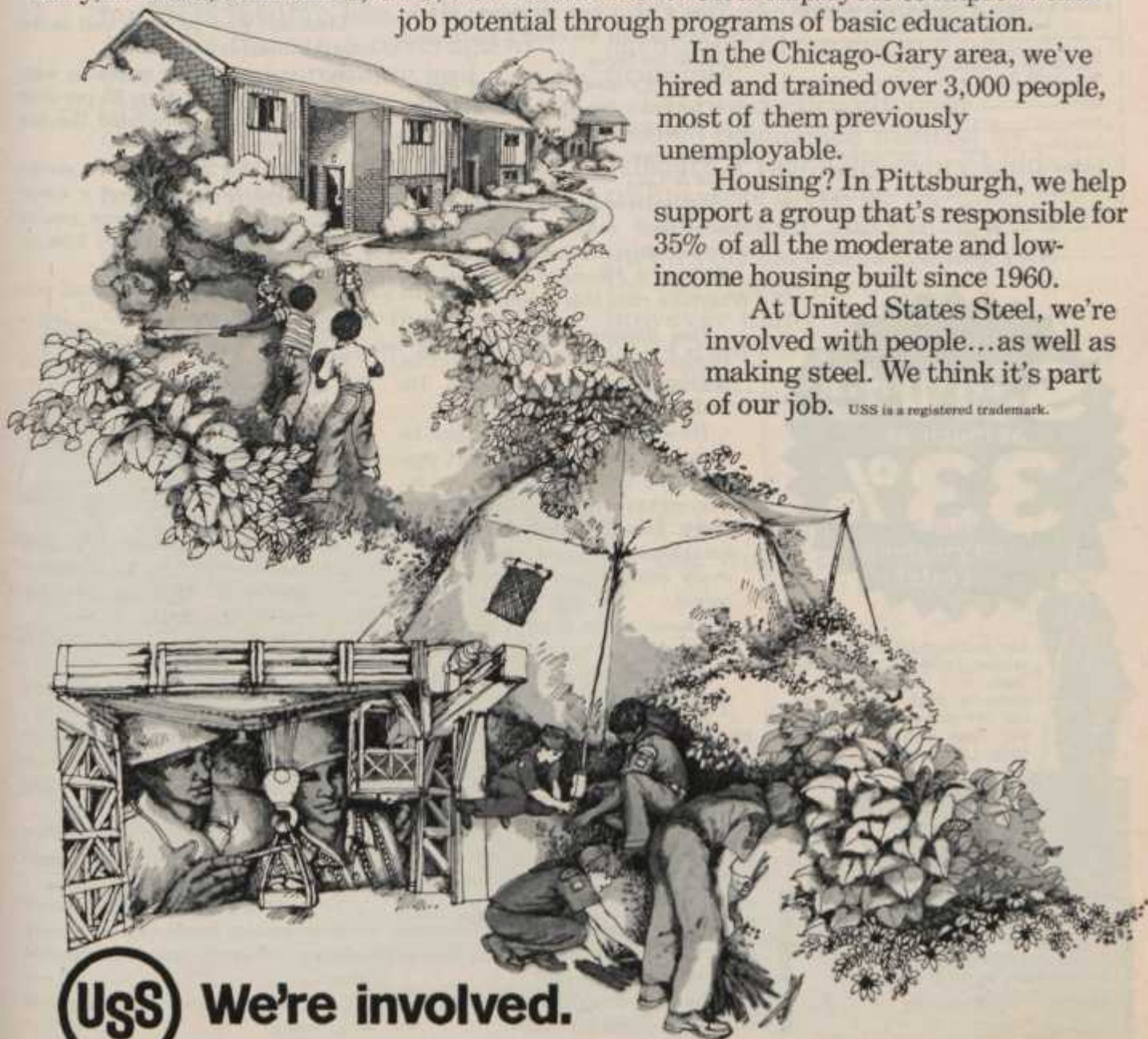
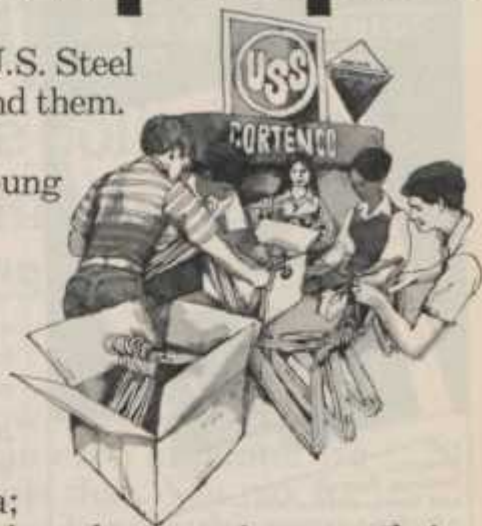
In Pittsburgh, we're involved with programs that motivate youngsters to stay in school and become productive citizens. Over 1,000 of us are involved in Pittsburgh area Scouting, and nationwide, we sponsor over 80 Explorer Posts.

We're helping adults solve their problems, too. For instance, better jobs. In Chicago; Birmingham, Alabama; Gary, Indiana, and Lorain, Ohio, we've enabled U.S. Steel employees to improve their job potential through programs of basic education.

In the Chicago-Gary area, we've hired and trained over 3,000 people, most of them previously unemployable.

Housing? In Pittsburgh, we help support a group that's responsible for 35% of all the moderate and low-income housing built since 1960.

At United States Steel, we're involved with people...as well as making steel. We think it's part of our job. USS is a registered trademark.



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Executive Trends *continued*

results. It's a way of coercing him into doing something that works."

Dow has found results are good to excellent in well over half the cases.

"The sooner you spot the problem, the better," Dr. Gordon says.

"Alcoholism is a disease. Like others, it can be treated. But the time for the most effective treatment is early."

Put him on a data diet

"If reports were calories, he'd be as big as a house."

That's what one corporate executive says about his chief's gluttonous appetite for facts.

"Sure, it's good for a chief executive to have broad interests," says Ray Wasyluka, vice president, Vestal Laboratories, a division of W.R. Grace & Co.

"But with some guys, you have to ration their reading. These executives are often drowning in data."

Writing in *Financial Executive*, Mr. Wasyluka cites this example:

One division president eagerly requests a copy of every report he discovers to be in existence. He finds them all interesting.

He is so conscientious that he strives to review every report produced by the computer, every report sent to corporate headquarters, every financial analysis prepared for the sales manager, and virtually every other report of which he is aware.

As one might expect, sometimes it takes him five months to read a report requiring immediate action.

The computer, and its voluminous print-outs, have given this man a lot of company.

How do you get him to cut down?

Mr. Wasyluka's formula is to divide his incoming data into three classes:

1. Matters that require his immediate action.
2. Important reports that reveal the company's performance.
3. Everything else.

"The last should never hit his 'in' box," Mr. Wasyluka says.

"His executive assistant, or secretary, should intercept it. Then they should ration it to him, for reading when his time permits."

An 8-cent foot in the door

Scared to make sales calls cold?

Well, here's one way to warm 'em up.

Write a letter to the prospect, announcing your arrival, before you make the call. Leave at least a week for the mailmen's swift completion of their appointed rounds.

Then call your prospect and make an appointment to see him.

Says one insurance salesman who uses this approach: "Over 95 per cent of my prospects appreciated the use of pre-approach letters."

"And making appointments shows the prospect that you place a value on his time. It also proves you're courteous enough to call on him at his convenience—not yours."

"Both the letter and the call put him in a better mood to buy."

The payoff?

More than a 30 per cent boost in this agent's annual sales.

Cashing in on cleaning up

The janitor with his broom is big business, now.

"Building maintenance has changed enormously," says Leo Fink, chairman, Prudential Building Maintenance Corp., New York.

"It has become a \$2.5 billion industry."

The reason? Economy, Mr. Fink says.

"It can cost as much as \$600 to remove a single pound of dirt from a building," he adds, "when the people are on your own payroll."

"Today, it's estimated that it takes an hour of cleaning for every hundred times a washroom is used."

"So instead of hiring more people as maintenance needs expand, many building managers turn to outside firms."

"They're specialists—and can save you money."

The Great Simplifier.

A single business insurance policy that does the job of two, three, maybe even four other policies.



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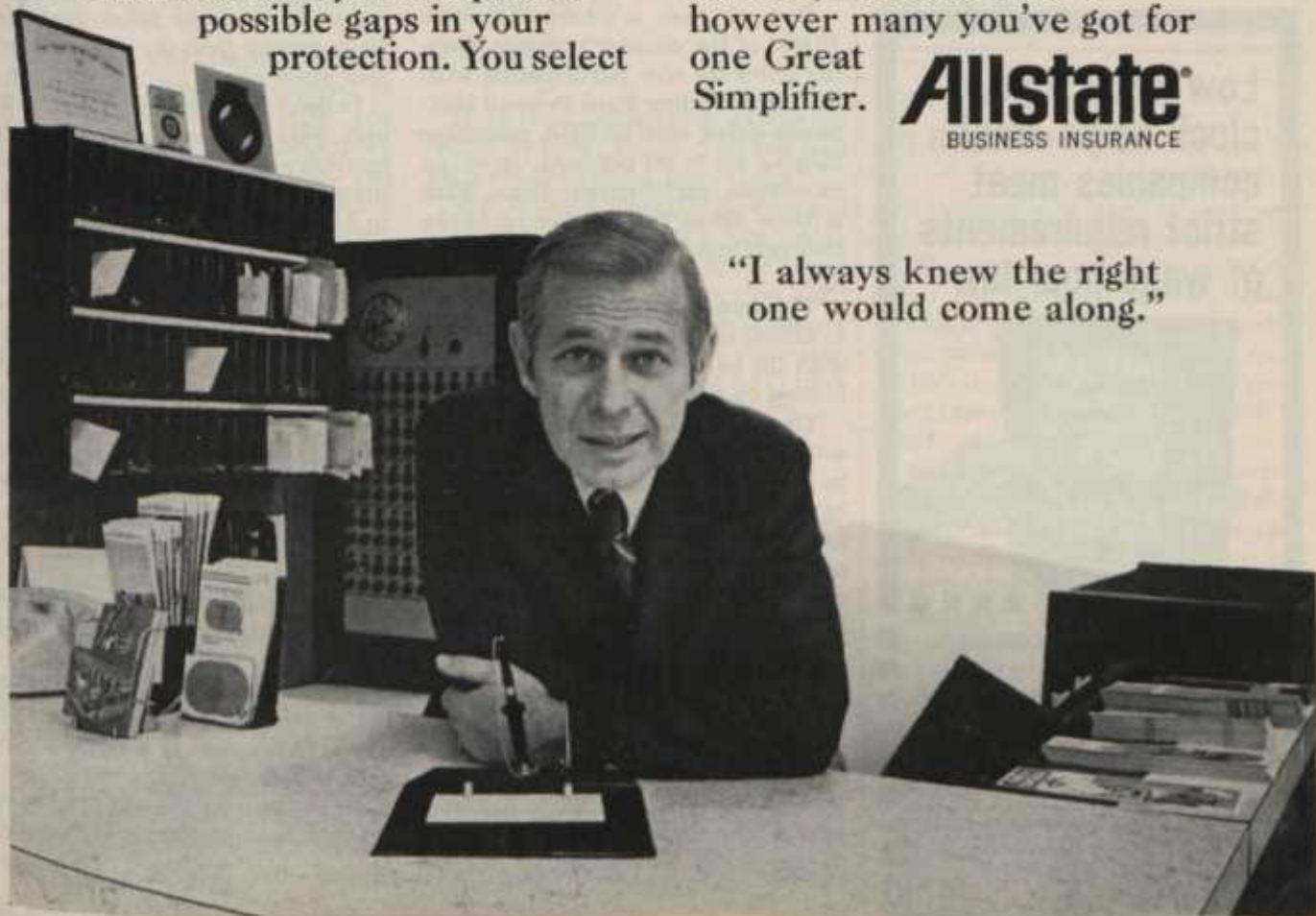
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WHY CAN'T I DICTATE A GOOD LETTER?

"A noted publisher in Chicago who receives a large volume of business correspondence during the course of a year—reports that he is continually amazed at the many poorly written, hard-to-understand letters he receives. 'These letters,' states the publisher, 'show a complete lack of letter writing ability on the part of people who apparently fail to appreciate the importance of writing good business letters.'"

The publisher points out that the function of the business letter in addition to conveying information understandably, also builds a good or bad image of the individual of the company, sells or leaves unsold certain services, explains or confuses important matters and in short, either facilitates or slows down the entire process of the business at hand.

The difference, he indicates, is in what you write and how you write it. And to acquaint the readers of this paper with the easy-to-follow rules for developing skill in writing clear, imaginative, easy-to-read business letters that always create a good impression, the publisher has printed full details of his interesting "self-training" method in a new brochure, "Adventures in Letterpower." This brochure will be mailed free and without obligation. Simply send your request to "Letterpower", 555 E. Lange St., Dept. 804-50, Mundelein, Illinois, 60060. A postcard will do.

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SBA Report

Thousands of Banks Join Guaranteed Loan Program

In steadily increasing numbers the nation's commercial banks are finding out what the U.S. Small Business Administration has long maintained—that it is good business for them to team up with SBA to provide term loans for small firms in their communities.

These loans help the community, and what helps the community helps all businesses, including the banks. Yet for a long time most banks shied away from loans of this type. For one thing, many bankers had little experience with term loans and considered them too risky.

But all that is changing. Some 10,000 of the country's 30,000 banking units are now participating with SBA in providing loans to small businesses either with an SBA guarantee ranging up to 90 per cent, or on an immediate participation basis. This is three times the number of banks that participated with SBA two years ago.

The turnabout is due in large part to efforts to improve communications with the banks, and to keep them informed on SBA's programs.

The agency's top financial officer, a two-man team in the central office in Washington and a small group of bank relations officers in certain SBA field offices are tackling the task of encouraging banks throughout the country to provide term loans to small businesses.

They are approaching the task from two directions.

One is external: Make personal contact with as many bank officers as possible—either individually or through national and state banking associations—and explain why it is to the banks' advantage to finance

small firms. The effort is a continuing one in which the banks not only are made aware of SBA's many-faceted financial programs but are kept up-to-date on changes in them.

The other approach is internal: To refine and simplify procedures, minimize paper work, use bank forms where feasible and reduce the time it takes to act on bank requests for guarantees or participation loans.

The change in bankers' attitudes is dramatized by official figures which indicate that as of June 30 SBA will have guaranteed approximately \$1 billion in bank loans to small businesses in a single fiscal year—four times greater than the 12-month total four years ago.

In fiscal year 1968 SBA guaranteed only \$246 million in bank loans to small firms. In fiscal 1969 the figure jumped to \$414 million, in fiscal 1970 to \$454 million and in fiscal 1971 to \$863 million.

When viewed in terms of the ratio of bank to government dollars, the change is equally dramatic. A few years ago, the banks' share of SBA guaranteed loans amounted to \$1 for every \$4 put up by SBA. Since then the banks' share has been rising steadily. In fiscal 1970, banks provided \$5 for every dollar put up by SBA and in fiscal 1971 the ratio was \$11 to \$1.

The nation's banks have been and will continue to be the businessman's first line of credit.

Information on how banks can participate with SBA in financing small businesses is available from SBA offices which are located in 84 cities throughout the country or from the SBA headquarters in Washington, D.C.

\$trictly Personal

BY PETER WEAVER

■ Quickie Pleasure Trips ■ Extended Tax Deadlines ■ Fund-Raising Foibles

Mixing business and pleasure

Remember the hullabaloo about how the Atlantic air fares were going to come tumbling down?

Well, there have been few fare reductions and some fares have gone up. But don't go away.

One goodie that squeaked out of the much-publicized International Air Transport Association price-fixing negotiations is called the group inclusive tour seven-to-eight-day package.

This package is of special interest to business and professional people who'd like to add a quickie vacation to a European business trip but can't afford to be away for more than a week in all. It should make it easier for many men to take their wives along.

Previously, you couldn't get a package price unless you agreed to stay two or three weeks. Now, you can fly round trip between New York and Europe for less than \$300 and you only have to stay a week. Also, the price includes "ground arrangements"—various combinations of hotel accommodations, meals, rental car use or theater tickets.

These fares end March 31 and start again Nov. 1.

Along with the usual theater attractions in London or shopping and dining in Paris, there are some new wrinkles for quick trippers. The Finns, for example, are offering two-day "reindeer safaris" across the arctic Lapland region. A safari's \$60 price includes reindeer-powered transportation, meals and the traditional Finnish sauna. (Watch it! The Finns roll around in the snow after the heat baths!) Snowmobile and cross-country

ski tours are also available through April.

Your travel agent can get more information by writing or calling: Finnish National Tourist Office, 505 Fifth Ave., New York, N.Y. 10017.

If you've had a skimpy skiing season here at home, Chile is one place to go. Chile's snow season starts in June and you can get a room in the ski resort at Portillo for \$25 a day. The price includes all meals and lift tickets. Air fare down starts at \$475 round trip.

In Santiago, Chile's capital, there's such a favorable rate of exchange for the dollar that you can get first-class hotel rooms for \$10 a day, and steak dinners which include Chile's excellent wine for \$2.

For the tardy taxpayer...

Have trouble filing your income tax return on time? Relax. You can now get a deadline break from Uncle.

The Internal Revenue Service will automatically give you a two-month extension if you file its special form No. 4868 by April 17 (because April 15 falls on a weekend). You still have to prepay 90 per cent of your estimated tax on time but you don't have to have all the paper work in.

Caveat for fund raisers

More and more fund-raising organizations are seeking active assistance or the "good name" of local business and professional people. Be extra careful. You could have your name allied with a sloppy or even shady operation.

According to a recent memo from the Council of Better Business Bureaus, you should ask the following

questions before you give money, assistance or your name to a charitable group:

- Has the organization complied with all state and local laws?
- Is there a definite need for the charity? Will it duplicate the work of an existing agency?
- Who is promoting it? Will the promoter get any financial benefit?
- Will only a reasonable percentage of the income be used for overhead, advertising, fund-raising and promotion? More than 15 to 20 per cent is too much.
- Are you willing to have your closest personal friends donate to the cause solely because your name appears as one of the sponsors?
- Are you willing to devote sufficient time of your own to make sure the organization's management is honest and effective?

Fun and games... off the road

For those who want to commune with nature far off the beaten trail, an ATV (all-terrain vehicle) is the latest adult toy. Six-wheel vehicles, which can plow through swamps and rumble over rocks or ford rivers, cost from \$1,000 to \$1,800. Slightly less versatile three-wheelers cost from \$350 to \$800.

Besides serving as a private swamp buggy or woods wagon for gentleman farmers and ranchers, ATVs can provide wide-ranging transportation for duck hunters and fishermen.

Before you buy, get a list of manufacturers' names and addresses from: National All-Terrain Vehicle Association; 342 Broad St., New Bethlehem, Pa. 16242. If you do get an ATV, it's a good idea to join this Association to get inside information on parts and service and the monthly news publication which describes group trail trips, safety bulletins and products.

MR. WEAVER writes a syndicated newspaper column on personal finance, and has a radio program which is broadcast by more than 100 stations.



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PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

A Company Rescues Drivers in Distress

A modern version of the legendary St. Bernards and their kegs of brandy is helping motorists stranded on Ohio's major interstate highways.

The rescuers in this case are "courtesy cars" equipped with emergency supplies of gasoline, oil, water and compressed air, and tire jacks, fire extinguishers and first aid kits.

For the past two years, Standard Oil Co. (Ohio) has operated a fleet of courtesy cars and the service is entirely free. A stranded motorist with a dry fuel tank probably appreciates the three gallons of gas he's given—enough to get him to a service station from any point on the highways—as much as Alpine travelers have appreciated the dogs' brandy.

SOHIO started the emergency road service in the summer of 1970 to help motorists in need on the 250-mile stretch of Interstate 71 from Cleveland to Cincinnati. In 1971 the fleet of courtesy cars was doubled to 16 vehicles and the service expanded to cover 550 miles of highways.



A stranded lady driver welcomes the arrival of a SOHIO courtesy car.

Needless to say, most travelers are surprised when a courtesy car pulls up with its offer of free service. The 70 drivers are all college students under 25.

Last year, in defiance of the insurance statistics about young male

motorists, these drivers chalked up 1,115,806 miles without a single accident.

Letters pour into SOHIO headquarters from grateful motorists.

"It is a godsend to people in trouble. Thanks a million," wrote a woman whose car broke down near Cleveland. A Springfield, Ohio, man whose trailer developed tire trouble wrote: "May we express our thanks to your company but mainly to those two nice young men [courtesy car drivers]? Your company should be proud of them."

The courtesy cars made thousands of stops to aid hapless motorists last year—helping out with 3,348 tire problems and 2,558 overheated engines, and refueling 1,756 dry tanks. There were 2,030 stops for motorists who didn't really need help. In one such stop the courtesy car driver found a young lady simply changing her clothes.

SOHIO's good Samaritan program has drawn repeated praise from the Ohio Highway Patrol and the Ohio Department of Highway Safety. It frees patrolmen for more serious emergencies on the road.

The Public Is Urged to Block That Crook

Some eight million Americans—frequently because of their own carelessness—are victims each year of burglary, robbery, pocket picking and similar crimes.

The American Express Co. has launched a program to educate the public on protecting themselves and their property. Nearly 1,000 radio stations are cooperating with American Express by airing 30- and 60-second public service announcements containing tips on how not to become a crime victim.

Real-life victims, lawmen and crooks tell about the hazards of crime. But fear psychology is strictly avoided.

"The idea is crime prevention

through loss prevention—while traveling, at places of entertainment, in parked cars and at home," explains Michael Lively, American Express senior vice president.

"In some types of situations it is common sense to know about and use bank services for protection of money and valuables. It is our purpose to alert the public to the common crime hazards so they'll make fuller use of banks and bank services—not only to protect money and valuables but also to avoid attracting thieves."

The American Express Consumer Education Service radio series grew out of studies of victim behavior and crime prevention. Much of the material used comes from the company's own crime-fighting unit, the Inspector's Department. The program is

endorsed by the International Association of Chiefs of Police.

"People often leave themselves open to theft or robbery," says Milton Lipson, American Express vice president for corporate security.

"It's surprising how frequently they behave negligently in handling their own money and valuables. They become victims after giving the thief his opportunity. When people are alert to simple safeguards, fewer crime-inducing situations arise."

American Express hopes its educational program will correct such "loss-prone behavior" as carrying money negligently in pocketbooks, pockets and wallets, leaving valuables in lockers, desk drawers or hotel rooms where sneak thieves can find them, and otherwise "inviting" thefts.

continued on next page

Drug Addicts Are Aided at a GM Plant

Can a working narcotics addict, like an alcoholic, be rehabilitated and kept on the payroll?

That thesis has not been widely tested but the Detroit Diesel Allison division of General Motors is having initial success with a program helping addict-employees kick the habit.

Dr. Robert G. Wiencek, medical director at the Allison plant, conceived the program in 1969 when the company discovered a sharp step-up in the number of drug users applying for jobs.

"I began to wonder how many addicts got by us and were actually employed," recalls Dr. Wiencek. Physical examinations have since been broadened to detect addicts, and they no longer get on the payroll.

The key to the program is complete anonymity.

Dr. Wiencek advised employee-addicts in 1970 in the plant newspaper that they could be helped. They were guaranteed that only Dr. Wiencek would know who they were, and that their jobs would not be jeopardized.

Forty-three employees have subjected themselves to treatment and Dr. Wiencek believes a number of

General Motors' Dr. R. G. Wiencek has developed a program for rehabilitating GM workers who have fallen prey to the evils of narcotics addiction.



them have kicked the habit. Twenty of these, who have since left the company, maintain contact with him and are continuing treatment.

Employees who step forward to seek help are referred either to the Detroit Urban League or the Mayor's Committee for Human Resources, both of which operate addiction treatment centers. Regular progress reports are sent to Dr. Wiencek.

"An addict under treatment can continue to work productively, and as long as he is employed he is not a liability to society," Dr. Wiencek points out. "If we can catch them early the chance is good they can be kept from becoming hard core ad-

dicts who resort to crime to support their habit."

Dr. Wiencek uses "friendly coercion" as he impresses on the employee-addict that it's rehabilitate himself or lose his job.

In the first three weeks of the program, only two volunteers called on the medical director.

A month later, five others came forward. Now, the average is about one each month.

Would such a program work elsewhere? Dr. Wiencek isn't sure. He says:

"Real success rests on the long-term effect of the program. But we're hopeful."

A New Day Dawns for Calendars

When businesses and businessmen order calendars to give to their customers next year, they may find this "art form" has undergone some rather drastic changes.

"Posterization," or calendar art, increasingly is reflecting the influence of the youth market, according to Brown & Bigelow, the world's largest calendar manufacturer.

"There is no question that the youth market has affected designs on everything from clothing to automobiles," says David J. Mahmood, vice president and director of sales for B&B. "The 50-year-old business

executive in mod attire driving a sports car is a classic example."

Traditionally, the free calendar on the kitchen wall or office desk has served as a constant reminder—365 days worth—of the giver and his services. The philosophy was sound and worked, so long as the calendars were used. But were they?

"No one can argue that a calendar isn't functional," Mr. Mahmood says. "But this is not a strong enough sales point. When the consumer actually prefers a purchased calendar to the types our customers—business and service firms—provide free, we are not doing the job."

As a result of extensive market research in graphics, buying trends and particularly "consumer involve-

ment," the St. Paul, Minn., firm is now revitalizing its line for 1973. The influence of American youth will be found in many of the calendars.

The old familiar ad message on calendars may become a thing of the past. Mr. Mahmood explains:

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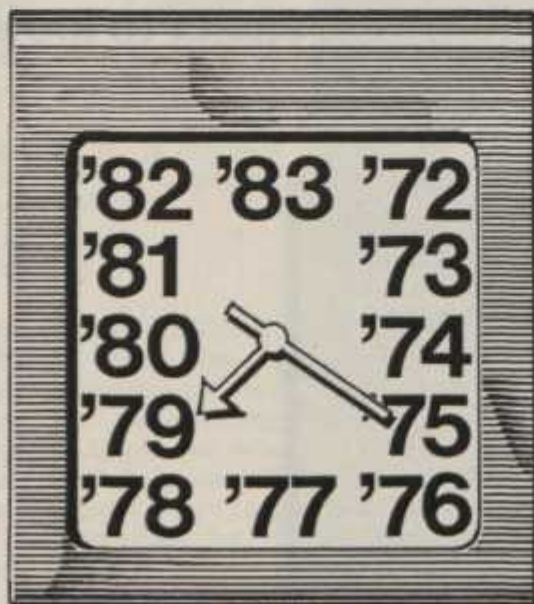
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OUR CONCERN IS PEOPLE

Sound Off to the Editor

Free Rides on Transit Systems?

Today, there are 10,000 more automobiles on the roads than there were yesterday. Yesterday, there were 10,000 more than the day before. This is because 16,000 cars a day are sold and only 6,000 are junked.

Such figures consistently raise the question, "Where, in a few years, will we find roads and parking places for all the cars?"

Many opinions and answers have been forthcoming. One intriguing proposal for helping solve the congestion problem is to make transit rides free, thereby reducing the number of cars driven to work.

On the side of free transit there are obvious advantages, including a reduction in air pollution; faster and less harried trips; fewer auto accidents; probably lower insurance rates.

But on the other side there are major arguments, too. Among them: Enormous outlays of money would be needed to buy, and build, vastly expanded transit systems; taxes of one

kind or another would have to go up so the systems could operate on a free ride basis; there probably would be loss of freedom in traveling when and by what route each citizen wishes, because restricted use of private autos is generally a handmaiden of the free transit idea.

President Nixon in 1970 signed the Urban Mass Transportation Assistance Act, which although it does not call for free transit rides, does move the federal government far into subsidizing transit needs. The Urban Mass Transportation Administration has been making multimillion-dollar grants for capital improvements.

Many American cities already partially subsidize transit systems. Among them are New York, Chicago, San Francisco and Boston. Last November, Atlanta voters approved a sales tax which not only would pay for much of the cost of construction of a new rapid transit system but would cut bus fares from 40 cents to 15 cents.

So partial subsidization is certainly nothing new. Full subsidization is another matter, but there is much more talk about it in official quarters than you might think.

Most members of the City Council in Sacramento, Calif., have backed the idea, for example. So has the borough president of the Bronx, in New York.

Commerce, Calif., has had free bus service for years, and though that town of 10,500 is far from typical, its experience is being widely studied. (Bus use is higher than in towns of similar size, but it's still small. Few residents ride buses to work. Most passengers travel between their homes and recreation areas or shops.)

Free transit is also being considered abroad. Rome tried it for nine days (and found that though patronage of buses and streetcars rose, there still was heavy auto traffic in the Eternal City).

Should we give free transit rides a try? What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we give free transit rides a try?

☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....

Company.....

City.....

Sound Off Response

A Victory for the Ballot Box

A nationwide primary to choose Presidential candidates wins majority support—by a substantial margin—of NATION'S BUSINESS readers replying to last month's "Sound Off to the Editor" question.

Those casting a Yes vote generally say that giving all voters a chance to participate in the candidate selection process would be a giant step forward for the cause of representative government.

Opponents view a nationwide nominating procedure as a complex, costly venture of dubious value in improving the caliber of the nominees.

In asking its readers "Should we have a nationwide Presidential primary?", NATION'S BUSINESS listed arguments on both sides of the debate.

Advocates of such a primary hold that, despite some recent changes, nominating conventions are not truly representative of the rank-and-file voters of the respective parties. Advocates of the convention system note that, with few exceptions, it has produced high-type nominees.

Layton Fox, president of Television, Inc., Stevens Point, Wisc., writes that a same-day primary in every state "would put elections into the hands of the people" and permit elimination of the convention system.

Merritt Reece, manager, Halco Aluminum, Inc., Cincinnati, Ohio, asks why the decision should be made "by a small handful of paid politicians." He, too, votes for the national primary.

Rex E. O'Dell, audio-visual director, Douglas MacArthur High School, Saginaw, Mich., says that "it is not possible to have a President who represents the people when they in fact have little to do with the selection of the candidates for whom they are admonished to vote in carrying out their 'civic' duty. Caucuses and conventions are little more than political comedy."

National primaries, Mr. O'Dell adds, would allow able men without access to large sums of money to "offer to provide leadership."

Robert Kula, office manager, Ryder

Truck Rental, Spartanburg, S.C., is equally critical of the present system, which he terms "a farce." Voters "are subjected to political double talk for almost two years before the election," Mr. Kula writes in endorsing the primary idea.

On the other side of the issue, Mayor Byron E. Klute of Richmond, Ind., asserts "the convention system does a pretty fair job. In the long history of this method of selecting candidates, we have had several tremendous Presidents. No system will ever bat 100 per cent—why dump a good thing?"

James M. Crowley, president of Pioneer Foundry Co., Inc., Jackson, Mich., writes: "A nationwide Presidential primary is just one more costly gimmick by the architects of governmental fiscal disaster, who have never come up with a single proposal that didn't involve spending our way into a crisis."

Raymond T. Semmens, dean of students, Northwood Institute, West Baden, Ind., also opposes the primary idea. "There is nothing preventing any citizen from participating in the decision-making process in the party of his choice," he says.

Ann Richards, secretary to President Charles T. Ireland of Columbia Broadcasting System, New York City, votes in favor of the Presidential primary but suggests the question be submitted to all voters on the ballot this November.

"Let the people decide by majority vote," she says, "and if the answer is Yes, the government will have four years to work out the details."

Several readers add suggestions for various other changes in Presidential voting.

Roy L. Graves Jr. of the Roy Graves Insurance Agency, Atlanta, Ga., calls for abolition of the present system under which a candidate who carries a state gets 100 per cent of its electoral votes even if he won only 51 per cent of the popular vote. "Let's have a popular vote general election." Mr. Graves urges.

Ivan H. Jackson, of Jackson's

Chevron Service, Denver, Colo., is among many readers who urge that adoption of a primary system provide for shorter campaigns "to save money . . . and lessen the political boredom the voter gets from so much politics."

The primary question, incidentally, brought the first response in the "Sound Off" series to be signed with the designation "Ms." which members of the Women's Liberation Movement say should be used by all women, married or single.

Ms. Tommie McCain of Interlake, Inc., Riverdale, Ill., says she opposes a nationwide Presidential primary on the theory it would lead to nomination of individuals with "audience appeal," such as a striking personality or appearance, "and those traits in no way make for good government."

But a No voter, George E. Nettels Jr., chairman of McNally-Pittsburg Manufacturing Corp., Pittsburg, Kans., asserts that "the care and strengthening of the two-party system must be given great consideration in this day of populist thinking. Our democracy, as we know it, will fail if we dilute our politics to the extent that we make the party system unnecessary."

On the other hand, Sid Weiss, president of the Regency division, Zale Corp., Dallas, Texas, says that a primary would "give the American voter his chance to be a factor" in the candidate selection process.

F. A. Brees, sales representative, Burlington-Northern, Inc., St. Paul, Minn., writes that a Presidential primary should not be considered an inconvenience by voters and suggests that participation be made mandatory. "Since voters have no actual choice in who runs for public office nor voice in government, a Presidential primary would help," he says.

And Mildred Finley, a bookkeeper at Finley-McCulloch Sales, Marietta, Ohio, writes that Presidential nominations by party conventions are made "with no regard for the wishes of the public—the choice at election time is for the lesser of two evils." She sees "desperate need for reform."

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The Making of a Price Boss

"I'm calling on behalf
of the President,"
said George Shultz—
and C. Jackson Grayson
unexpectedly found
himself on one of
Washington's prime
hot seats

Shultz



Here

PHOTO: LEROY WOODSON



When Dr. C. Jackson Grayson made the long leap from the campus to the cauldron of the capital, he had to build the Price Commission from the ground up. While the nucleus of a staff started operating, workmen were constructing their offices around them in a downtown Washington building.

When Dr. C. Jackson Grayson Jr., the 48-year-old dean of the School of Business Administration at Southern Methodist University, arrived in Washington last October to become chairman of the Price Commission he confidently expected to find a going organization.

Instead, he found he had to borrow a desk, telephone book and an assistant, develop the necessary policy and guidelines to put Phase II into effect in three weeks, and assemble a staff of 450 experts.

"I didn't even know how to hire people for government jobs," he says.

The road from Dallas to Washington began for Dr. Grayson with an unexpected telephone call Oct. 15 from George P. Shultz, director of the Office of Management and Budget.

"I'm calling on behalf of the President," he recalls Mr. Shultz saying,

"to ask if you will serve as chairman of the Price Commission."

It had been four years since he had seen Mr. Shultz, whom he had teamed with on a Ford Foundation study when he was dean of the School of Business Administration at Tulane University and Mr. Shultz was dean of the Graduate School of Business at the University of Chicago. Their longest period of contact had been three days in a New York City hotel room writing a report.

"Isn't the freeze almost over?" he asked the OMB director. It would be, in three weeks, but Mr. Shultz said the Price Commission would be needed for Phase II.

"I'm not an economist and I don't know anything about price controls," Dr. Grayson said.

Mr. Shultz was confident he could do the job.

"How soon do you have to know?" Dr. Grayson asked and was told, "I'll need your answer by tomorrow."

Second thoughts

Dr. Grayson remembers he talked to a lot of people, drank endless cups of coffee, and walked miles trying to reach a decision. He was comparatively new as head of SMU's business school and had been talking with computer magnate H. Ross Perot about a multimillion dollar grant to make it "the best in the world." If he left, what would happen to this?

He telephoned Mr. Shultz the next day and his answer was, "No."

"Then I started to think about what I might be missing," he remembers. "What a great challenge it would be."

After more talks with his wife, more

Have (full Nixon)



It was the calm before the storm for Dr. Grayson when he and Pay Board Chairman George H. Boldt (left) met President Nixon a few weeks before the end of Phase I. Since then the Pay Board has been the frequent target of criticism, while the Price Commission has generally garnered higher ratings.

coffee and more pacing, "I called George Shultz and asked if the job was still open. He didn't know, but said he'd get back to me." He did, the following day. Dr. Grayson had the job and he was wanted in a hurry.

Two days later he met with Donald Rumsfeld, counsellor to the President, who had been named director of the Cost of Living Council. He was told the members of the Price Commission would arrive the following day. They did, met briefly with the President, were sworn into office, and then told they had three weeks to come up with Phase II policy and guidelines.

Dr. Grayson's first chore was to build a staff and his first question was, "How do you hire people?"

He learned, picking up leads on where to find top people from acquaintances such as his old Harvard professor, Dr. Robert N. Anthony, who had been the Defense Department comptroller in the Johnson Ad-

ministration and who agreed to serve as a consultant.

Mr. Rumsfeld levied a requirement on other government agencies to provide teams of accountants and auditors, lawyers and secretaries. But for the key people, Jack Grayson personally went headhunting.

The Grayson-Nixon line

Dr. Grayson and his handful of new staff members got to work. It became a seven-day week. He literally rolled up his shirt sleeves and began making decisions and kept right on making them.

No one told him he needed to get approval for them and he decided that until he was stopped, he would keep moving ahead. No one stopped him and when Mr. Rumsfeld announced the Phase II program on Nov. 10, the Grayson-Nixon line on price increases had been established.

In those hectic three weeks he met

with many key business leaders and old-time price control experts such as former Gov. Michael V. DiSalle of Ohio, head of the Office of Price Stabilization during the Korean War.

To this day he doesn't know all the details of why he was selected. He's seen Mr. Shultz very briefly on several occasions and about all he's been able to elicit is, "I thought you were the best man for the job."

Dr. Grayson established himself as a risk-taker early in the program when he promised businessmen that until the start of 1972 his still-forming organization would process requests for price changes within 72 working hours. If it couldn't, the businessman had automatic approval to make the changes requested.

That news came to his staff on a Sunday morning. William Daly, an operations analyst from the Mobil Oil Corp. on a one-year exchange program with government, recalls: "We

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The Making of a Price Boss *continued*

were so shocked all we could do was laugh—hysterically."

It was an impossible timetable, Mr. Daly says, but by this time staffers were "so psyched up" they thought they could do it. The fact that the Internal Revenue Service and the Government Printing Office had over one weekend printed and distributed nationally 12 million copies of the basic price-increase request form was the kind of example that breeds such confidence.

That first day 10 price requests were received. They served as training for the rapidly building staff, which went from 11 to 135 inside a week. While the staff was expanding, training and conducting business as it came in, a melange of workmen unconcernedly moved around them, putting up walls and partitions, moving in furniture, hooking up telephones and laying carpet.

On Jan. 2, 1972, precisely at midnight, the nine-working-day case handling schedule expired and with a sigh the staff went on a 30-day schedule.

No bruised feelings

With few exceptions, the relationship between the business community and the Commission has been amicable. A number of experts attribute this amity to a sincere desire on the part of both to get the program on the road "for the good of the country."

In the beginning, Dr. Grayson personally looked at most of the requests for price adjustments. He now sees from 10 to 15 per cent. A committee composed of staff members reviews the work of a case analyst and generally serves as final decision maker.

Initially the Commission members met in Washington every Monday and Tuesday. Now, with the majority of the policy decisions out of the way, they meet once a week.

Conflict of interest has been a continuing concern for the Commission. As a matter of policy, Dr. Grayson hasn't brought individual cases to the attention of Commission members, who decide general policy only. If he does, it is only as an example.

Although not required by law, each Commission member has filed with Dr. Grayson a complete record of his or her financial interests.

"This was a decision on their part

which was strictly voluntary," he says.

If an issue before the Commission appears to involve a specific industry and there is any possible hint of involvement, the member so announces and asks for a conflict of interest ruling from Dr. Grayson.

Up ahead Dr. Grayson sees stability and fewer exceptional cases—those that come back to the Commission or go to the IRS for appeal. The final recourse for a price case appellant is suit in a federal District Court.

Dr. Grayson is acutely aware that the key to the success of the entire crash program has been the cooperation of American businessmen. "We've had extremely high cooperation . . . much better than I had anticipated," he says, adding: "Businessmen are anxious for stability. They don't like inflation anymore than anyone else. And I think they recognize that if this doesn't work the alternatives could be much worse. Above all, it's just good old American self-interest at work."

To a personnel manager looking at his resumé, Dr. Grayson would probably seem to be a man who couldn't make up his mind what he wanted to do.

A seasick sailor

Born on a farm at Ft. Necessity, La., he graduated from Tulane in 1944, served as a naval gunnery officer in World War II. Then, he earned a master's degree in business administration at the University of Pennsylvania and was, in order: a college instructor, a reporter on the *New Orleans Item*, an FBI agent, a farmer, and a partner in an export-import business. Next he went back to school for a doctorate at Harvard, then began again a teaching career.

Three years in one job has been about par for the course, but he says these changes were mostly unplanned and while "I've never been bored at anything I do," he admits the itch to change is usually preceded by a feeling that "I'm not learning anything."

He remembers his Navy career as one in which he was constantly seasick ("I carried a bucket with me on watch"); his reportorial days for a fruitless chase of a German prince who turned out to be a reporter on a rival newspaper; his FBI days for

being kidnaped by a couple of gunmen who hijacked his car ("I thought it was kind of funny afterwards but my bosses didn't").

After a year of running the family farm, he joined an import-export business in New Orleans, then quit to join the Tulane faculty. He was head of the Tulane business school from 1964-1968, learned to fly in this period and became part owner of a racing stable.

He moved to SMU when he was offered carte blanche to reshape the business school. He did reshape it, notably in curricular requirements.

An articulate, gregarious man, Dr. Grayson is six feet tall, weighs 170 pounds and tries to stay in trim by daily swims. But in Washington he's had to settle for walking to and from the office.

An avid reader, he counts "good conversation" as recreation, and turns to television only to watch professional football.

In his brief stay thus far in Washington, Dr. Grayson has established a reputation among his staff as a heavy memo writer. Frequently, he admits, he climbs out of bed at night to jot down something he wants to get out in a memo.

As a reporter, he "learned to think" on a typewriter, and he still writes his own speeches "when it has to be me." The academic world creeps out in some of them, as when he spoke to AFL-CIO price watchers:

"If you're taking notes, mark down three terms. Term 1: policy. Term 2: item system. Term 3: aggregate system. We'll take them one at a time."

His wife has been living in an art colony in Mexico while he has been in Washington. At his insistence, she's been pursuing a lifelong ambition to study oil painting.

In mid-January, she flew up to spend the weekend, bringing her first painting. She also asked the inevitable question:

"Where do you go from here?"

He reflected a moment, then shrugged. "I don't know. But I'm not worried."

There are a lot of people who think he'll be in Washington for quite a spell, and not necessarily running the Price Commission.

END



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A Price Policy Is Born

Here's how an idea at Dow Chemical became "Term Limit Pricing"—which is giving many large companies more flexibility under the current controls

*Morand
Burks
Klomprens*

Selling a new concept to the harried Price Commission in Washington was the job given Dow executives (from left) Alden J. Klomprens, assistant general sales manager; M. H. P. Morand, vice president, marketing; and W. B. Burks, comptroller.

At the Dow Chemical Co. corporate headquarters in Midland, Mich., M. H. P. (Pat) Morand has framed the Price Commission's "Decision List #12" and it hangs on his office wall.

"It's a historic document," explains Dow's vice president for marketing.

Dated Dec. 9, 1971, it made history when hundreds of copies came zipping out of a government mimeograph machine at 2000 M St. N.W. in Washington.

That day Dow Chemical Co. was granted a 2 per cent price increase for

BRUCE BRUMBERG—BLACK STAR



Along with seasoned veterans of the accounting and auditing trail, Price Commission Chairman C. Jackson Grayson (center) has an office staff that includes women, minority group members and bright young people. He solicits staffers' views regularly and it was Louis F. Neeb, 32, his executive secretary (at the chairman's left), who first brought to his attention the proposal that spawned TLP—term limit pricing.

*Have
See Grayson*

"all products." Up to that time increases had been granted only for individual products and product lines.

When Dr. C. Jackson Grayson Jr., chairman of the Price Commission, signed the official authorization, it signaled the start of an innovative approach to the problem of price controls.

It's officially called "Term Limit Pricing." And, as always happens in Washington, that has been shortened to "TLP." But these things would come later. On Dec. 9, the concept was so new it hadn't yet acquired a name.

It was a bold experiment. If it worked, it would give a business producing a large number of products some flexibility in establishing prices without becoming waist-deep in government forms. In turn, it would keep the Price Commission staff from being swamped. And it met President Nixon's intent that Phase II price controls would be largely voluntary.

The story goes back to last Nov. 14, when, with a mixture of confidence and confusion, the Price Commission got into business at the start of Phase II of the President's wage and price

control programs. It had a form ready—the PC-1, a two-page job covering requests for price increases.

The PC-1 was concocted in a race against time; its drafters were not businessmen, but government employees, mostly accountants and auditors.

It would not, as hoped, cover the waterfront.

The businesses it was designed to cover contribute 50 per cent of U.S. sales. In "Tier 1" were the 1,500 firms with annual sales over \$100 million (45 per cent of U.S. sales). They were

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A Price Policy Is Born *continued*

called "prenotifiers" and would use the PC-1 to request authority in advance to raise prices.

Like nailing Jello

In "Tier 2" were another 1,100 firms with annual sales between \$50 million and \$100 million. They could raise prices under the guidelines without going to the Price Commission, but had to report later. If the Commission found the increases were unwarranted, it could roll the prices back.

The other businesses, which account for the remaining 50 per cent of U.S. sales, would be governed by the same guidelines, but would not be required to report any price increases. They were to be on the honor system. However, if challenged by the Internal Revenue Service, they would have to provide adequate records.

The Price Commission adopted a basic goal on increases—no more than 2.5 per cent throughout the economy.

The price hike process would operate essentially like this: The completed PC-1 form, with accompanying

cover letter, would be sent to the Commission. The documents would be the object of scrutiny by an "analyst" assigned to one of these divisions: mineral and chemical production, basic materials, machinery production and fabrication, transportation, trade, services, foods and textiles, and public utilities and regulated industries. A ninth division was created for rent.

The analyst's job was to evaluate the data (and ask for any additional if needed) and arrive at a recommendation. From there, the case was to get a committee review, possibly an evaluation by the chairman himself.

The firm was to have an answer within 72 working hours. If not, at the end of the period approval to raise prices was automatic.

But as the Commission staff plunged deeper into the business of price increases, it became obvious that while simplicity and dedication are virtues, they don't necessarily accomplish the job.

The analysts—generally government accountants and auditors—were dealing with an unfamiliar world—business—and a yardstick that for many was a textbook term: productivity.

Trying to come up with a clear picture of how some large businesses were organized was, as one official said, "like trying to nail Jello to a wall."

Calculating rises in productivity was difficult. For industries that produce a physical product it seemed relatively simple.

In the case of service industries, however, calculating productivity increases is at best an inexact science.

When Phase II was two weeks old there was growing uncertainty as to what the very large firms were planning. During the weekend of Nov. 27-28 Dr. Grayson sent telegrams to the 1,500 Tier 1 firms. Were they going to ask for a price increase? Hold prices at the levels they were at during the freeze (Phase I)? Or cut prices?

"Blanket" plan

In the office of Carl A. Gerstacker, chairman of the board of Dow, the message from Washington was a top item of discussion. Mr. Morand was present with other key officials. At the

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A Price Policy Is Born *continued*

outset, Mr. Gerstacker made it clear that he supported the President's plan for stabilizing the economy.

Dow officials and their marketing staff had been struggling with the problem of price increases in the highly competitive chemical industry. Well over a thousand products were involved, many in the low volume category. To file a request for a price increase on each would impose a fantastic workload on both Dow and the Price Commission staff.

In addition, Dow, like many other companies, was realizing that this system of price controls threatened to severely restrict its marketing flexibility. Many of the arrangements Dow has with customers involve contracts that restrict price changes to a quarterly basis.

"We found out later that the Price Commission staff wasn't aware that a lot of such contracts were in existence," says Mr. Morand.

To solve this dilemma, Dow decided to ask the Commission for a "blanket" increase under which it could rapidly change prices.

On the morning of Dec. 3, Mr. Morand, Alden J. Klomparsens, the assistant general sales manager for pricing, and W. B. Burks, Dow's comptroller, marched into the lobby of 2000 M St. N.W., a rented office building that houses the Price Commission, the Pay Board and the general counsel of the Internal Revenue Service.

Their first impression was confusion. The guard at the lobby desk issued them passes and directions, mumbling that this was his first day.

The group elevator up and found themselves on the floor housing the Pay Board. Finally on the right floor—the seventh—they located the suite of offices occupied by Dr. Grayson and were met by Louis Neeb, one of his key aides.

The Dow group unfolded its proposition. Dow's computations showed a 2.97 per cent across-the-board price increase was justified under the guidelines. Labor costs had increased 7.5 per cent, but Dow was including only 5 per cent, confident that increased productivity would compensate for the remainder.

If the Commission would grant Dow the "blanket" it wanted, the

company would request an average base price increase of only 2.5 per cent. Mr. Neeb began a series of trips into Dr. Grayson's office.

Right vibrations

"We seemed to have the right vibrations and we could sense positive feeling in the place. Their attitude was constructive and it wasn't long after we got to talking that we sensed we were going to get this thing through," says Mr. Morand.

Dr. Grayson recalls Mr. Neeb coming in to advise that Dow wanted flexibility and briefing him on the company's proposal. The chairman's first question was: Why couldn't Dow make its requests on product lines? After Mr. Neeb explained the complexity of Dow's product families, the marketing problems and contractual arrangements, Dr. Grayson pulled in other staff members for consultation. There were further talks that morning and that afternoon.

In time a proposal was hammered out. Dow would be granted an average base price increase of 2 per cent, which it would have to live with for a year. The firm would report quarterly, could not exceed the agreed upon index goal in any quarter, and could not recoup in following quarters.

The company would assume the obligation and responsibility of administering the controls internally and keep records the IRS would be able to check.

All this meant a policy change for the Commission. Over the weekend its staff evaluated the proposal. Mr. Morand and the other Dow officials returned to Midland. Unless there were requests for further information, a decision would be forthcoming in nine working days.

Three working days later, the seven members of the Price Commission met in the windowless conference room adjacent to Dr. Grayson's office. The chairman briefed them. They had reservations, but they listened as he explained.

For one thing, it was a partial solution to the workload program. One of the basic ground rules of the President's stabilization program was not to create a huge bureaucracy. In the Korean War period the Office of Price Stabilization had swollen to

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A Price Policy Is Born *continued*

20,000 employees. The maximum size of the new Commission was to be around 450 and a study had come up with some chilling predictions. Based on a conservative estimate of the probable number of requests from the 1,500 Tier 1 firms, the 140 or so "analysts" would be faced with processing some 40,000 proposals annually—double the flow they were then trying to handle in a seven-day week.

The new Dow concept, Dr. Grayson told his fellow commissioners, could be adapted to cover over 100 of the largest manufacturing concerns in the nation.

The birth of TLP

The Commission deliberated, then cautiously approved Dow's request.

This was announced routinely in Decision List #12 issued Dec. 9. By Dec. 15, General Electric and IBM had received approval to go on TLP pricing, too. Since then, Dow "has been in the consulting business with many of its peers," reports Mr. Morand.

A week later, on Dec. 22, the Commission publicized the "new simplified approach to price increase approvals for 'Tier 1' companies to ensure long-term price stability." But only requests for price increases of 2 per cent or less across the board would be considered.

Under the TLP rule, a parent company can now apply for a weighted average price increase covering all product lines for a 12-month period. Price increases are subject to standards covering profit margin, costs, and adjustments for productivity and volume increases. Top limits are set for individual price increases.

The procedure allows companies to change individual prices any time during the 12-month period, providing the weighted average price increase does not exceed the approved level and the top limits are observed.

Once a firm goes under the term limit pricing program it is committed for an entire year. That is the price to pay for flexibility, and for some firms it is not suitable. But others have pondered, others have acted. As of mid-February, over 60 were under TLP. **END**

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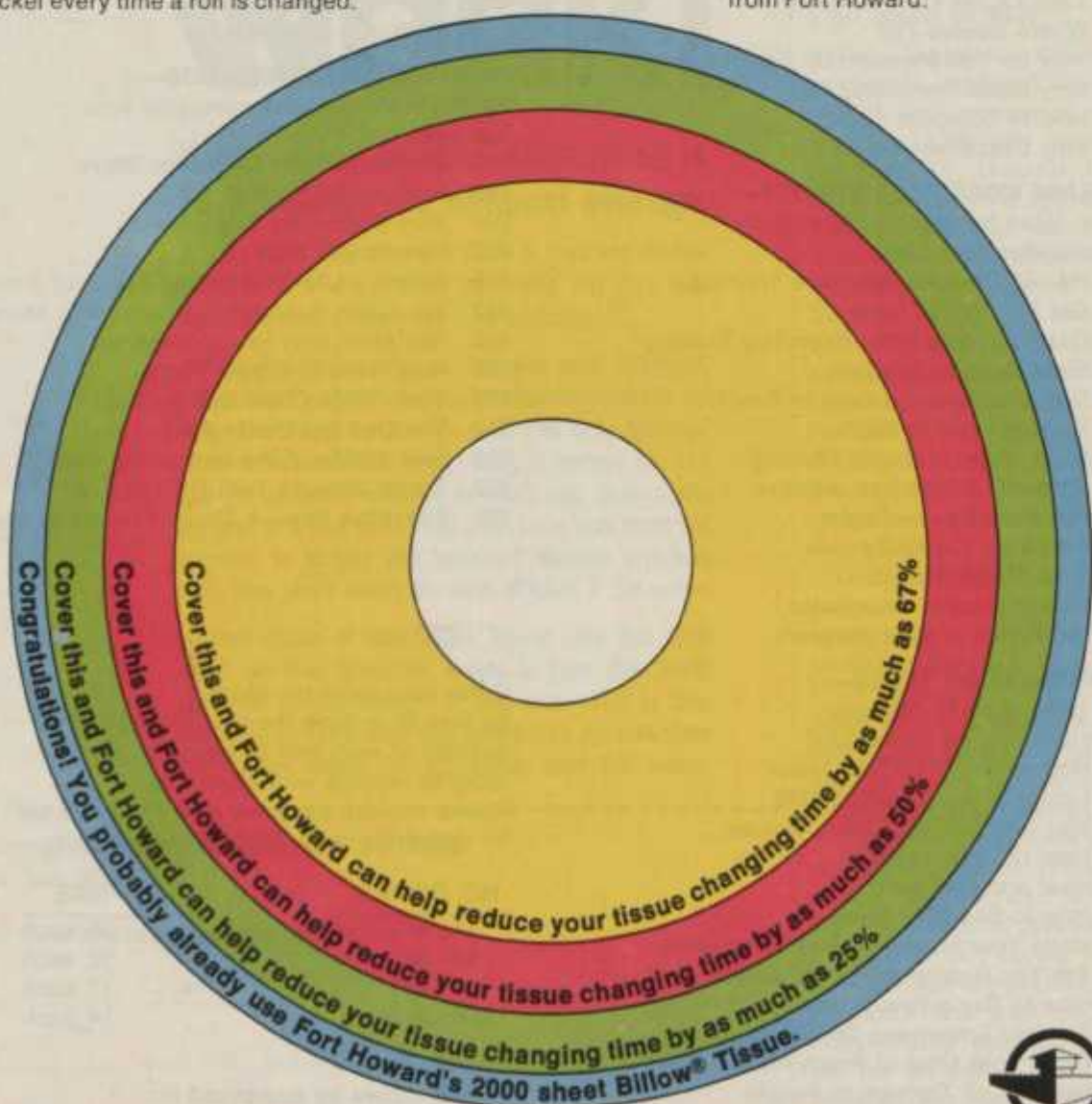
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Forty years ago in Nation's Business

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Economics, as you would expect, dominated the nation's thoughts 40 years ago, and the March, 1932, issue of NATION'S BUSINESS reflected that dominance.

This was the period when the country was seeking ways and means to bring itself out of a great depression. There were a few signs that business was stirring, and that an answer was in the offing for a question asked in one article "How shall we know when the dawn puts an end to this blackness of depression which now enfolds us?"

How to get the economy rolling was a concern on all fronts.

"The First Step in Reconstruction," the issue's feature article, was written by U.S. Sen. Frederick C. Walcott of Connecticut. He explained the task of the newly created Reconstruction Finance Corp. and gave some reasons for the belief that it would accomplish its purpose of stimulating the economy.

Setting up the RFC was the first move taken by President Hoover in his program for economic recovery.

But the President warned that big spending by government wasn't enough. "We cannot squander ourselves into prosperity," he said. "The people will, of course, provide against distress, but the purpose of the nation must be to restore employment by economic recovery."

Former President Calvin Coolidge commented on the depression: "We have found out that we were not so big as we thought we were. We were riding too high. We shall have to keep nearer the ground. We may not feel so elated, but we shall be much stronger."

There was a campaign against hoarding of money at this time, with one article noting that mutual bank savings had increased from \$9.4 billion on Jan. 1, 1931, to more than \$10 billion on Jan. 1, 1932. Deposits in the Postal Savings system also increased from \$243,755,000 to \$595,660,000 between Dec. 30, 1930 and Dec. 30, 1931. "Hoarding has become a menace," thundered the author.

Even in this bleak period, there were success stories by business. W.T. Grant, chairman of the W.T. Grant Co., wrote on "The Key to Successful Retailing." He noted that in each of the last two (depression) years, his firm had increased its earnings and had also increased the number of its stores by 50 per cent. A good part of the reason, he explained, was "greater consideration for the welfare of the consumer."

He said the Grant Co. made a zealous effort to pass on in price reductions any savings of costs gained through volume buying or other means.

Two Hats for IRS

Internal Revenue Commissioner Johnnie M. Walters discusses changes in the tax picture and how his agency is policing prices



PHOTO: GEORGE TAMEL

Congress passed a major tax bill last December, which under any circumstances would mean an exacting year for the Internal Revenue Service. On top of that, the agency has been given the job of policing the President's Phase II price controls.

The comparatively new IRS Commissioner, Johnnie McKeiver Walters, thinks his agency has the experience, knowledge—and reputation—to handle this double load.

Mr. Walters was Assistant Attor-

ney General in the Tax Division of the Justice Department when he was appointed Commissioner by President Nixon last year.

No stranger to IRS, he served as a lawyer in the agency from 1949 to 1953. He also has worked in the legal department of Texaco, Inc., in New York City, and has practiced law in his home town, Greenville, S.C.

A graduate of Furman University in 1942, he received his law degree from the University of Michigan in

1948, returning to school after World War II service in which he flew 50 combat missions as an Air Force navigator and won a chestful of medals, including the Purple Heart and Distinguished Flying Cross.

In this interview with an editor of NATION'S BUSINESS, he talks about some aspects of the new tax law and about IRS' role in price controls.

How will the new tax law affect businessmen?

There are two or three significant changes. First, the asset depreciation range system which will allow them to depreciate their capital assets at a more rapid rate. In effect, it allows a businessman either faster or slower depreciation on assets, with a range of 20 per cent on either side of their class life.

It will permit the businessman to depreciate his assets faster and in that way generate faster recovery of his capital expenditures. And on the other hand, the new business which doesn't have high levels of income can string it out, creating a more level flow of taxable income.

Another major benefit is the DISC provision [Domestic International Sales Corp.] which is designed to encourage American businessmen to export goods. It allows deferral of taxes of up to 50 per cent on income generated from exports under this special domestic corporation. It's significant and should encourage exports, help our balance of payments and increase employment.

The third key provision is the seven per cent investment credit on the purchase of equipment, either ordered after last March 31 or purchased after last August 15. The same dates apply to purchases of used machinery and equipment up to the limit of \$50,000 a year. This is intended to help small businessmen and farmers. It is estimated the investment credit provision will create 500,000 jobs over a year or two.

How is the individual affected?

The most obvious effect is the personal exemption, which was raised from \$650 to \$675 for 1971. And in 1972 that will go up to \$750. In addition, the low income allowance for 1971 was set at \$1,050, thus eliminating the phase-out which restricted the amount of low income allowance for some taxpayers. This also will be raised, to \$1,300, in 1972.

Although taxes are coming down, the

new withholding tables will actually result in more money being withheld from pay checks. Why?

In some instances, withholding tables that applied for 1971 caused us to underwithhold. It came about because both spouses might be working and each would be getting the benefit of built-in deductions in the withholding tables, such as the low income allowance, when actually they were entitled to only one such benefit on their joint return.

There were also cases of single taxpayers in the higher income brackets who were underwithheld. So, in order to correct these situations, the tables were reworked so we could come closer to the actual amount that should be withheld.

Of course, what happened in the past with many taxpayers is that they didn't claim all of their exemptions so that enough was withheld, and they would end up the year not owing taxes. Under the new tables, if the taxpayer doesn't go back and claim the exemptions he is entitled to, he is going to be overwithheld. Last year we had a campaign trying to get taxpayers to come in and increase their withholding to take care of the problem. Now we have to reverse and try to get them to change their withholding so it won't be overwithheld.

There has been confusion over changes in the individual 1040 income reporting form. Will it be easier to fill out this year?

IRS has continued to work on that, though as long as the tax laws are as complex as they are, we can't really make the form simple. The big advance this year is clarification and simplification of the instructions on the 1040 form. We have also included a sample return form to make the job easier.

We don't feel that a taxpayer with modest income should have to pay someone to make out his tax return. Last year, for instance, 46 per cent of

the taxpayers paid for, or at least had someone fill out, their tax return. That's not good. We frankly feel that there are some 30 million taxpayers who can make out their own form if they follow the simplified instructions.

You have said you hoped there could be a speedup in the auditing of returns from the current 26 months for individuals and 27 months for corporations. Will there be?

Yes, I think we can make some progress this year. I don't know if we will be able to achieve all we would like to because of some inroads on our manpower due to our Phase II stabilization duties and the cutback in government personnel.

Can you estimate the number of returns that IRS audits?

I can, but don't like to. Our audit coverage has been decreasing significantly in the last several years. There are a couple of reasons for this.

For one thing, the number of taxpayers and the number of returns have been increasing rapidly. At the same time, we have been held fast or even reduced in the manpower that is available to audit, administer and enforce the tax laws. As a result, our enforcement capabilities have been decreasing. This is of great concern to us.

How many returns and how much revenue will IRS handle for 1971?

The forecast is approximately 110 million returns and collection of roughly \$204 billion for this fiscal year. IRS spends 51 cents to collect \$100; about half a cent a dollar. We think that is incredibly low.

There's a new provision this year that individuals can wait until June 15 to file their returns. Why did you make this change and how does it work?

For years, of course, corporations could get an automatic extension of time to file their return provided they

Two Hats for IRS *continued*

estimated their liability and paid it. Because more taxpayers have their returns prepared by CPA's and other professional tax advisers, they have been hard-pressed to get it done before the deadline.

Individual taxpayers now can get this automatic extension by estimating their tax liability and paying it on or before April 17—April 15 comes on a Saturday this year—but it's important to keep in mind that IRS will collect interest on sums owed over what is paid in April. And if the estimate is more than 10 per cent below what is ultimately owed, then we impose a penalty for late payment.

There is occasional comment about a "taxpayers' revolt." Have you seen any indications of this?

No, we don't see any real taxpayers' revolt. While there has been a noticeable increase, with regard to the telephone excise tax, in people who call themselves war tax resisters, this is still not a real problem. These are the people who say: "Don't pay your tax because it is used to fight the war in Viet Nam."

It is well-established, however, that disagreement with government policy doesn't justify nonpayment of taxes due. The vast majority of taxpayers voluntarily pay, even though they may not agree with all their government's policies. It's our job to see that others also pay.

You're playing a major role in Phase II with your price monitoring. What's your experience with monitoring to date?

We have, I think, handled the stabilization well so far. In large measure that is due to the fact that the American people have cooperated and have voluntarily complied with the program.

Now if that were to change substantially, then the present amount of IRS manpower devoted to stabilization would not be sufficient to police the program across the country. But so far, just as in the tax field, the American people have cooperated voluntarily.

What does your price control work do to the manpower you have available for tax collection?

Because IRS is involved with Phase II, we were exempted from the President's 5 per cent reduction in federal personnel. That means that under the funding for fiscal year 1972 we are slightly ahead of the people that we had for tax work in fiscal 1971. Congress had funded us for approximately 4,000 additional employees in 1972. Therefore, we can allocate about 3,000 people to the stabilization effort and still be slightly ahead on tax work.

We are watching the manpower situation closely and we are doing all right. We have not slighted our tax work and at the same time we have been going forward with the stabilization program.

What happens in a typical price violation case?

If a person has a complaint, the first thing he should do is go to the merchant or landlord and try to work it out. If he cannot, it should be reported to the local IRS office. An agent will see if he can work it out. If the case is too complex, IRS will make a field investigation.

If the merchant or landlord is in violation, the case usually is referred to the local U.S. attorney, who attempts to resolve the matter with the alleged offender.

Any case the U.S. attorney deems to be a civil or criminal violation is referred to Washington through IRS channels. The Price Commission, or Pay Board if it's a pay case, ultimately decides whether or not the case should be referred to the Justice Department for civil or criminal action.

The point is that the review is adequate to make sure the complaining customer just doesn't say, "Okay, we're going to court."

Also, we try to achieve some sort of national uniform treatment. Just as in the tax field, we strive mightily to treat cases alike without regard to where they are, what they are doing or who they are.

With only 3,000 people to police the hundreds of thousands of businesses, what techniques will IRS use in monitoring?

There are several things we can do. For one thing, large grocery chains

generally price out of regional centers and by checking the regional centers, our work is concentrated. We don't have to check every store.

Also, we will watch the consumer price index to see if there are price increases in specific areas. This will alert us to possible violations. We would also expect to get leads, data and investigation requests from the Pay Board, Price Commission and Cost of Living Council. And businessmen who get hit with price increases they're not sure about can check with IRS.

In addition I would say this: At this time we see a real responsible effort on the part of many merchants to make the program work.

Do you feel that IRS is ready for the long pull on monitoring? Suppose you are still monitoring a year or year and a half from now?

If we get into a long pull situation—I am thinking of longer than a year, let's say—then it might strain us. But if we get the guidelines and rules clarified and simplified to some extent, then for a relatively short period we can handle it.

Could you pinpoint any areas you think will be of particularly strong challenge to IRS in the 1970s?

We might as well start off with the granddaddy problem—the tax exempt organizations. They have been demanding more of our time. To some extent this comes about because these organizations have abused their charters, and this invites criticism by the public and the Congress, and that calls it to our attention.

You may remember Congressman [Wright] Patman [D.-Texas] was very much interested and did a lot of investigative work in the foundation field. I assume in the 1970s this is going to be a mandatory project.

There are other areas. Pension plans, savings plans and profit sharing plans—this whole area will require increasing attention. Multinational companies is another area. They have all sorts of tax arrangements that are being worked out in the changing international financial field. For instance, the DISC provision in the new tax bill is an indication of what is on the horizon. **END**

Change Means Progress for Young Workers

There could be a silver lining for many who move around a lot early in their working careers.

A Labor Department study says job changing can have a positive effect among young workers by increasing their earnings and job satisfaction, even if it means some periods of unemployment.

The report, "Career Thresholds—A Longitudinal Study of the Educational and Labor Market Experience of Male Youth, Volume 3" is based on interviews in 1968 with 4,339 young men. The Department's Manpower Administration notes these findings:

- Among those recently out of school, more than half changed jobs at least once during the 1966-68 period. And though some of the moves were involuntary, the job changers averaged only one or two weeks' more unemployment during the two years than the young men who stayed put.

- Job changers enjoyed larger wage increases generally than the non-changers. Wages rose about 35 per cent for white youths who reported one change of employer, but only 25 per cent for white youths who didn't switch jobs.

- Although black youths experienced more unemployment, black job changers also had the sharpest rise in earnings—about 40 per cent. Young blacks were considerably more likely to have changed employers during the two years than young whites.

- Increases in job satisfaction were reported by most of the job changers in the sample.

END

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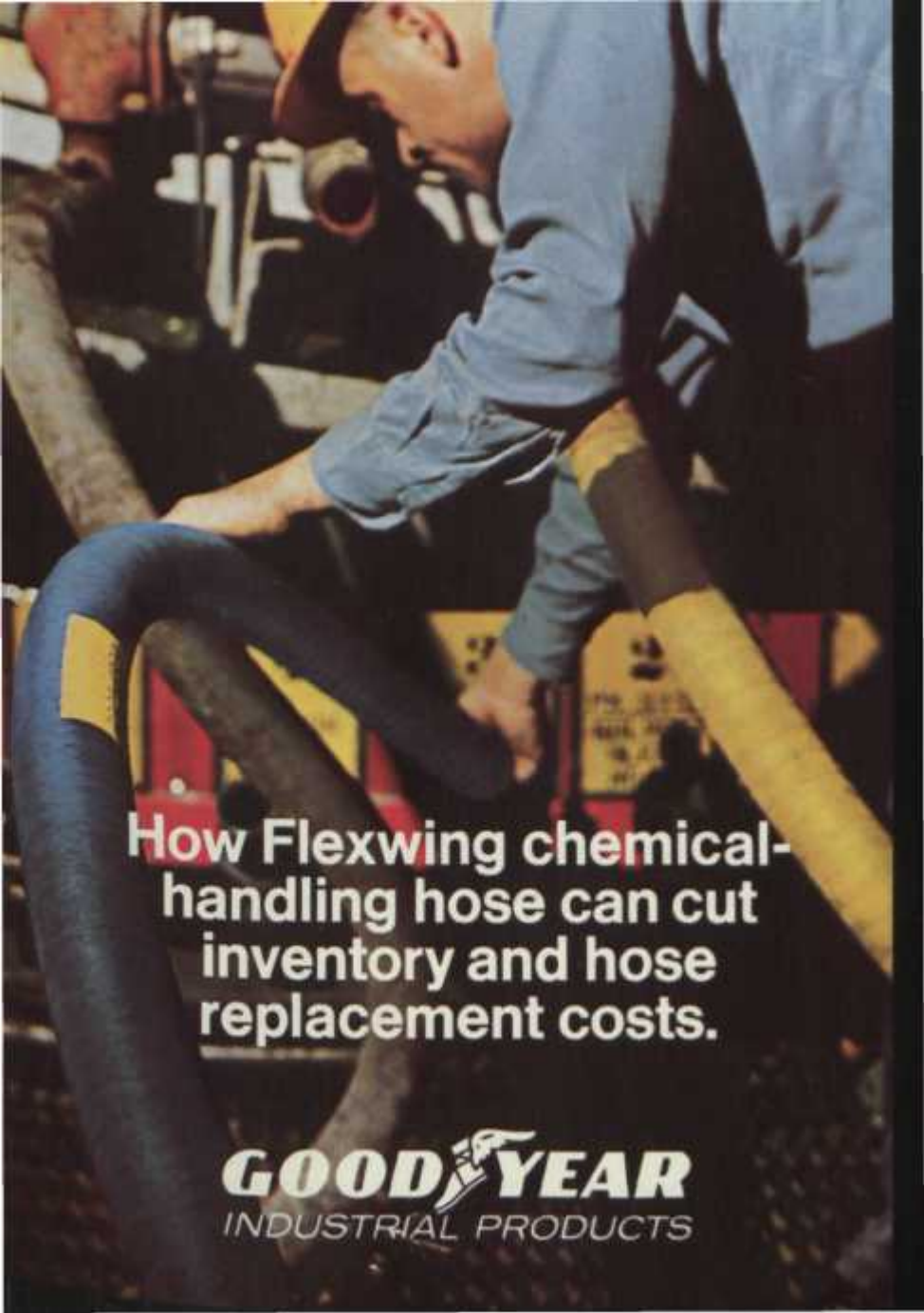
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Acid can ruin a high quality general-purpose (GP) hose within hours. Look at what a 70% nitric acid solution at 115° F did to the GP hose section at left in 24 hours. Goodyear's Blue Flexwing hose section passed the same test without damage.



Polyester fiber helps give Flexwing hose extra resistance. Rayon (left) and cotton (center) disintegrated after one hour in a 70% sulphuric acid solution at room temperature. Polyester (used in all Flexwing acid hose) remained intact.

These four tests show why you need the right hose for chemicals

If you have been using hose for handling chemicals you've had two choices. You could pick a general-purpose hose—low in price, but not very reliable. Or choose a hose specially designed for the job—



Compare the longer service you get with Flexwing hose. These hose samples were exposed to a 70% sulphuric acid solution for two weeks at 135° F. Note deterioration of GP hose at left. Yellow Flexwing hose is virtually unaffected.



Batch contamination can cost money. At left, toluene extracted materials from the GP hose, causing the discoloration and contamination of product. At right, exposure of toluene to Blue Flexwing hose caused no discoloration or product contamination.

and pay more in both purchase price and inventory costs.

Now Goodyear offers you a line of hose that can handle your chemicals at lower *ultimate* cost and will probably allow you to reduce the number of special purpose hose carried in your inventory.

The test photographs above show why Flexwing® hose can give you more dependable service for lower ultimate cost. The information on pages 4 and 5 will help you to determine the right hose for your requirements. And on page 6 you can read about Blue Flexwing hose, very possibly the only hose you'll ever need to stock for handling chemicals.

	BLUE FLEXWING	GRAY FLEXWING	YELLOW FLEXWING	GREEN FLEXWING	TAN FLEXWING	ORANGE FLEXWING	BLACK FLEXWING
Ketones	E	G					
Aldehydes	E	E					
Esters	E	E					
Alcohols	E	E	E	E	E	E	E
Petroleum-Based Solvents	E					E	E
Aliphatic Solvents	E					E	E
Aromatic Solvents	E					E	
Chlorinated Solvents	E					E	
Inorganic Acids	E	E	G		G		
Salt Solutions	E	E	E	E	E	E	E
Petroleum Oils and Greases	E					E	E

Use the Goodyear Hosefinder System to get the most hose for your money

It's easy to choose the right Goodyear chemical-handling hose. And just as easy to make sure your men are using the right hose. The Goodyear color-coding system doesn't depend on confusing stripes, or labels that can be cut off, worn off, or misread. Each type of hose is a different all-over color for positive identification.

The Goodyear Hosefinder System can cut your hose replacement costs significantly. It can prevent product contamination. Reduce the risk of leaks and blowouts endangering your employees. And help prevent accidental pollution, especially at river or dockside locations.

Just pick the Goodyear hose that will give you best service with the chemicals you handle. (See table at left. This table is intended as a general guide. For information on specific chemicals and operating temperatures you should consult the Goodyear Chemical Hose Recommendations Guide.)

E = excellent: continuous use causes little reduction in hose properties

G = good: continuous or intermittent use; some effect on hose properties

Goodyear chemical-handling hose specifications are described below. All are readily available through your local distributor. And if you would like to have the complete Goodyear Chemical-Handling Hose Selection Guide, with recommendations for over 600 specific chemicals, fill out the reply card at the end of the booklet.

Flexwing Chemical-Handling Hose Specifications

NAME	TUBE	REINFORCEMENT	COVER
BLUE FLEXWING	Polyethylene	Wire helix, synthetic cord	CHEMIVIC Buna-N/vinyl
GRAY FLEXWING	Butyl	Wire helix, synthetic cord	Butyl
YELLOW FLEXWING	Hypalon	Wire helix, synthetic cord	CHEMIVIC Buna-N/vinyl
GREEN FLEXWING	SBR	Wire helix, synthetic cord	CHEMIVIC Buna-N/vinyl
TAN FLEXWING	Natural Rubber	Wire helix, synthetic cord	CHEMIVIC Buna-N/vinyl
ORANGE FLEXWING	Viton	Wire helix, synthetic fabric or cord	CHEMIVIC Buna-N/vinyl
BLACK FLEXWING	CHEMIGUM® Nitrile Rubber	Wire helix, synthetic cord	CHEMIVIC Buna-N/vinyl

Blue Flexwing...the nearest thing to an all-purpose chemical-handling hose



The Hosefinder table (pages 4 and 5) shows that Blue Flexwing hose offers good or excellent service with almost all types of chemicals. In fact, it can handle 90% of all of today's chemicals safely and economically.

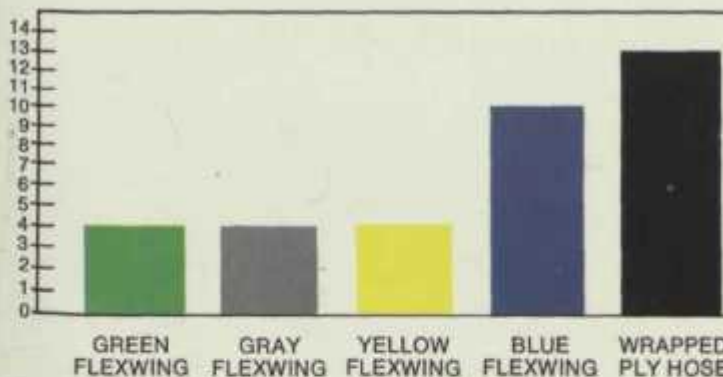
Its inside tube is a new, highly stable cross-linked polyethylene compound. It's reinforced with polyester fiber and high-tensile steel wire for crush resistance. The cover is long-wearing CHEMIVIC®, a Goodyear blend of Buna-N and vinyl.

You may find Blue Flexwing hose the easiest answer to all your chemical-handling hose requirements. It gives you easy hose selection and reduced inventory. Plus the lower ultimate cost of a hose specifically designed for chemical resistance.



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Flexwing braided hose vs. wrapped ply hose



Bend tests show that Goodyear hose is more flexible, easier to handle than ordinary chemical hose made with wrapped plies.

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- ☐ Please send us _____ extra copies of this booklet.
- ☐ Have a Goodyear representative call us.

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Whatever your industry, Goodyear's line of Flexwing chemical-handling hose can reduce your hose costs. Use the tables on pages 4 and 5 to choose the right hose for longer service, less inventory, greater safety.

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Where Will the Jobs Be?

Labor Department studies give some interesting answers to a 15-million-worker question

The youngsters who swamped the schools in the '50s and '60s have come of age and are now knocking on business' door, looking for jobs.

These better educated workers are leading a surge that will swell the labor force in this decade by some 15 million, to 100 million by 1980. To accommodate this biggest 10-year increase in the nation's history, industry and business will have to create between a million and a million and a half new jobs each year in the '70s.

Fully half the labor force growth will be among young adults—those in the 25 to 34 age bracket. This group will increase by about 50 per cent in this decade, compared to only a 16 per cent rise for the same labor age bracket in the 1960s. Representing about one out of every five workers in 1968, young adults will number one out of every four workers by 1980.

"These young people born in the early postwar years will provide a large pool of trained workers unprecedented in numbers," the Department of Labor notes.

To supply the new jobs needed for the grown-up babies of the birth boom that followed World War II, manpower experts have been pondering questions such as, "Which industries will be growing? Which shrinking? What skills will be needed to compete for jobs?"

While there are some clearly discernible trends for the long term, such as the continued growth of white collar and service industry jobs, the near term outlook is blurry.

For one thing, the economy's steady but unspectacular recovery



net'd 7.P.B.



net'd 7.P.B.

PHOTOS LEFT TO RIGHT:
LEE LANGE—FPG, FPG,
PAUL THOMAS—FPG



B.S.

from the 1970 recession creates uncertainties. Many economists think the 1970s will see less exuberant economic expansion than during the fast growing 1960s.

Priorities shift

And the nation appears to be undergoing shifts in priorities, with more effort and funds heading for housing, pollution control, health care, transportation and urban renewal and lessened emphasis in such areas as military hardware, aerospace and education. It makes occupational needs more difficult to chart.

Such shifts have already altered the demand for some jobs that enjoyed strong growth in the 1960s. Teachers, for instance, have moved into a position of oversupply. And some 50,000 engineers are unemployed after an urgent need for their services during the '60s in aerospace and defense work.

"One of the unknowns is where the big thrust for employment will come from," says Eli Ginzberg, professor of economics at Columbia University's Graduate School of Business. At present, he doesn't see any areas to compare with defense, education or health, which helped spark the strong job growth of the 1960s.

The current stumbling block to job-producing expansion in an area like, say, mass transportation, is the money bind of government on the local, state and federal levels, Dr. Ginzberg says. "They're all in a financial squeeze."

President Nixon has said he plans to recommend tax proposals to Congress for stimulating research and

development of new industries and technologies to help provide the "millions of new jobs America needs for the young people who will be coming into the job market in the next decade."

He mentioned in his State of the Union speech such areas as transit systems, electronic mail systems, and firefighting techniques.

The near term job picture may be misty, but manpower studies at the Department of Labor do highlight some of the labor force trends expected in the '70s.

There are several caveats, of course. The projections assume a stable economy with gross national product growing at a rate of about 4.3 per cent a year; high levels of employment and utilization of manpower; economic and social relationships that change at about the same pace as in the past; technological advancement at about the same rate as in recent years; defense activity in 1980 approximating pre-Viet Nam levels.

Where is the growth likely to be?

First, the United States will continue to march down the road toward a service economy, with the strongest growth opportunities in such industries as trade, transportation, communications and public utilities, real estate, finance, insurance and government (particularly state and local government). Service industries like these are expected to employ seven out of every 10 workers in 1980.

In goods producing industries, only one—construction—is expected to show a quickened pace of employment. Manufacturing will remain the single biggest source of jobs in the



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Where Will the Jobs Be? *continued*

U.S., but will provide them at a slower rate than during the 1960s.

The two other major industries in the goods producing category—mining and agriculture—will experience employment declines, the Labor Department predicts.

White collar expansion

Several long-term occupational trends that have been occurring during the past decades should continue:

- White collar jobs, which outnumbered blue collar jobs for the first time in 1956, will continue to increase rapidly. This group will account for about half of all employed workers in 1980. It accounted for 43 per cent in 1960.
- Blue collar skills will account for a smaller part of the total work force in 1980 than now, although employment should move from 27.5 million in 1968 to over 30 million by 1980.
- Service jobs will expand significantly faster than average. Employment in this area should be around 13 million by 1980, up from 9.4 million in 1968.
- Farm workers will continue to shrink both as a percentage of the work force and in numbers employed. As automation grows, agricultural employment by the end of the '70s will dwindle to 2.6 million, down one million from 1968.

Government manpower researchers have also come up with projections about where growth can be expected in broad occupational groups.

Professional and technical workers: The increase in this category will outstrip all others. Demand will be strong as the U. S. pushes efforts in

socio-economic projects—urban renewal, transportation, pollution control. The quest for scientific and technical knowledge will grow and there will be a continuing emphasis on the social sciences and medical services.

The demand for workers in these categories will reach 15.5 million in eight years, a jump of 50 per cent from the 10.3 million employed in 1968. The growth rate in the professional and technical fields is expected to be double the 25 per cent growth rate seen for all employment in the U.S. in the '70s.

There are, of course, wide variations of growth expected in the various occupations that fall into the professional and technical area.

There is expected to be a particularly large increase for systems analysts (183 per cent) and for programmers (129 per cent). All kinds of jobs in health service, from physicians and dentists to nurses and medical laboratory workers, will grow, with demand for psychologists alone predicted to rise over 85 per cent.

Demand for chemists, social workers and counselors, dietitians, physicists, accountants and oceanographers will increase strongly.

Job openings for engineers, despite current slack demand, should rise by about 40 per cent. The most rapid increase will be in industrial, civil and electrical engineering.

The Department of Labor estimates supply and demand to be about in balance for lawyers and architects, but it sees some oversupply in pharmacy, mathematics, life sciences and elementary and secondary teaching.

Service workers: The second fastest growing group should increase employment opportunities about 40 per cent. This diverse category ranges from police and firemen to household workers, cooks, building custodians, beauticians, etc. Greater leisure time and higher income will help spark demand.

A swiftly growing occupation in the service field is licensed practical nursing, with requirements projected to grow from 320,000 in the late 1960s to 600,000 by 1980, an 88 per cent rise.

Two-edged sword for clerks

Clerical workers: The demand for secretaries, stenographers, bookkeepers, cashiers and office machine operators, etc., will provide some 17.3 million jobs by 1980, up from 13 million at the start of the decade. Technological developments will be a two-edged sword in the field. While the computers and bookkeeping machines may pare clerk-type jobs, there will be growing needs for personnel to prepare computer inputs. As with so many of the jobs in the 1970s, higher levels of education and "trainability" will be needed.

A major factor in the projected demand is the need for large clerical staffs in finance, real estate and insurance and government, all rapidly growing industries.

Sales workers: Business expansion, new product development, rising income levels and higher population all point to a faster than average growth for sales personnel. Employment is predicted to move from 4.6 million in 1968 to six million by 1980.



PHOTOS LEFT TO RIGHT: LEO CHAPLIN—BLACK STAR, PETER L. BOULD—EPE, SANRUCO—EPE, YKED WARD—BLACK STAR, LEO CHAPLIN—BLACK STAR, SHELL HERSHORN—BLACK STAR, PAUL THOMAS—BLACK STAR

Managers, officials and proprietors: Employment in this occupational group will rise more slowly than total employment. Changes in business organization will have divergent effects. The growth of chain stores and discount houses will probably reduce the number of self-employed proprietors, but business will increasingly depend on trained management specialists, hiking the demand for salaried managers and officials significantly.

Craftsmen, foremen and skilled workers outside the so-called crafts: This highly trained group also is expected to expand more slowly than total employment, rising from 10 million in the late 1960s to about 12.2 million by 1980.

Various categories of skilled workers will show much faster growth patterns than others. The number of business machine servicemen—particularly typewriter, data-processing equipment and duplicating machine servicemen—will increase 75 per cent. Of course, it's important for young people considering the field to remember that despite the strong growth, it's estimated that there will be a need for only 200,000 such servicemen in 1980.

Substantial growth also is seen for plumbers and pipefitters, construction machinery operators and aircraft mechanics.

Semiskilled workers: More people are employed in the semiskilled occupations than any other area. Employment should grow by about 10 per cent through the 1970s, a rate less than half the increase projected for all employment. Technological advances probably will retard growth in

these jobs, about three out of five of which are in manufacturing.

Replacement needs will be particularly significant in occupations which have a large proportion of older workers and women. Clerical, service and semiskilled jobs all will have high replacement needs in the coming decade.

Matchups needed

"Replacements are not enough, though," says Dr. Ginzberg. "We'll need growth in various occupations to handle the surge of workers."

Farm workers: While total employment in the U.S. is expected to rise by about 25 per cent by 1980, farm employment will sag about 25 per cent due to continued advances in farm technology.

One of the baffling problems in the manpower area is the difficulty in getting a matchup between the labor force and the jobs available in a swiftly changing economy. While unemployment hovers near 6 per cent, many jobs are unfilled. The applicants just don't seem to have the skills the jobs call for.

One often-proposed solution is improvement in manpower training. President Nixon, for example, recently prodded Congress to pass his \$2 billion bill aimed at consolidating several manpower programs and at giving more power in the field to local authorities.

When there's a shortage in an occupation, the mechanism of supply and demand theoretically works to draw more people into the field. College students, for instance, according to a recent nationwide study by the Carnegie Commission on

Higher Education, are taking more premedicine and prelaw, social work, psychology and nursing courses—all areas of projected fast growth in the coming years.

There's a stickier problem some manpower experts fret about on another level: That the emphasis on higher education could threaten the flow of capable manpower into the skilled, craftsmen and service fields that are suffering shortages. Eighty per cent of all jobs in 1980 will actually require less than a college degree, the Labor Department estimates.

Many businessmen have been saying that the idea of a college education for everyone has been oversold. The sentiment is echoed in some labor union quarters.

Says Julius Rothman, associate director of the AFL-CIO's Department of Urban Affairs: "We've undercut the concept that work is honorable, whether it's driving a cab or doing a construction job. A lot of young people would be much happier learning a skill, using their manual dexterity, than going to college."

And so, while it's hard to fight the higher esteem in which white collar jobs are held, there are some signs a shift is in the wind.

There are now more than a thousand two-year colleges around the country, often featuring job-training curricula.

The government's role in job training (despite mixed results) most likely will grow, and more big companies are offering quality occupation training to try to fill those gaps between the applicant's skills and the job requirements. **END**

The ABC's of VAT

Is "value-added tax" one of those terms you know you should understand, but regrettably are fuzzy about? This article and the two pages of cartoons it introduces should help clear things up

When Congress was considering ways to raise more revenues back in 1921, a proposal was made to turn to an entirely new type of levy: the value-added tax. The novel suggestion made no headway.

It got no further more than 20 years later, when it was again briefly considered by the Treasury Department as one way to help meet the skyrocketing cost of fighting World War II.

Now, more than a half-century after it was first proposed, the value-added tax figures more prominently in Washington thinking than ever.

The Nixon Administration has been inching toward the value-added tax for nearly two years. Stronger and stronger hints have been dropped.

In his State of the Union message, the President told Congress he would send it recommendations later this year "for relieving the burden of property taxes and providing both fair and adequate financing for our children's education."

He did not mention a specific tax, but few if any of his listeners doubted he was referring to value-added.

REPRINTS of "The ABC's of VAT" may be obtained in black and white from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

The Administration has asked the Advisory Commission on Intergovernmental Relations, a bipartisan group representing county, state and federal governments and the public, to evaluate a tentative plan under which a value-added tax of approximately 3 per cent would be levied. It would raise about \$18 billion a year.

President Nixon has said, however, that no final decision has been made on whether a value-added tax will be recommended, and that in any event no major tax legislation will be presented for action this year.

The value-added tax, he has said, is one of the several ideas being considered in an overall review of tax policy.

The plan submitted to the Intergovernmental Relations Commission would eliminate all local property taxes for the support of public schools. Such taxes now total \$21 billion—about half of all local property taxes.

Through the stages

The value-added tax is, as its name implies, a levy on the value added to a material, service or product as it moves through various stages of production and distribution.

A principal attraction of the tax is the vast amounts of revenue it can generate—\$5 billion, it's estimated, if applied at a 1 per cent rate to all production in this country; \$25 billion if applied at 5 per cent.

Businessmen have long appraised

the value-added tax from the standpoint of whether it could be used to reduce the corporate income tax, now at 48 per cent. Such a reduction, they point out, would offer investors a greater return on their equity and thus spur investment in business expansion, which would provide more jobs.

Because several European countries have long had the value-added tax, there are international trade aspects to its consideration in this country.

An American firm exporting to value-added countries now must pay that tax on goods it sends in, as well as the U.S. corporate income tax on returns from its export sales.

On the other hand, a European company exporting to this country gets a rebate on value-added taxes it has paid, and it does not have to pay such a tax in this country.

"Regressive?"

Businessmen in international trade point out that a value-added tax here would allow products produced domestically to compete better with imports and also would allow U.S. exports to be more competitive in overseas markets.

The U.S. value-added tax would be applied to imports, while U.S. exporters would receive a rebate.

Debate over the proposed tax will include the argument over whether it is "regressive"—not connected to

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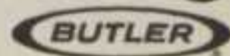


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The ABC's of VAT *continued*

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ability to pay—or whether new taxes should or should not be as broadly based as possible.

Those favoring a broadly based tax say that our economic recovery could be slowed if incentives for investment are narrowed any further by taxes falling most heavily on business.

The value-added tax is one of the most broadly based of all taxes be-

cause of the extremely wide range of economic activity to which it applies.

Other businessmen understandably will hold that Congress, instead of debating which type of new tax to enact, should concentrate on reducing federal spending in other areas if money is needed for a plan to reduce school levies.

Because the value-added tax is

likely to be one of the key business issues facing Congress eventually, and because the way the tax actually works is often misrepresented unintentionally or otherwise, NATION'S BUSINESS presents the following explanation.

It is based on a slide presentation available from the Chamber of Commerce of the United States.

all color cards sent to Paul Shuman 3/9/72

VAT

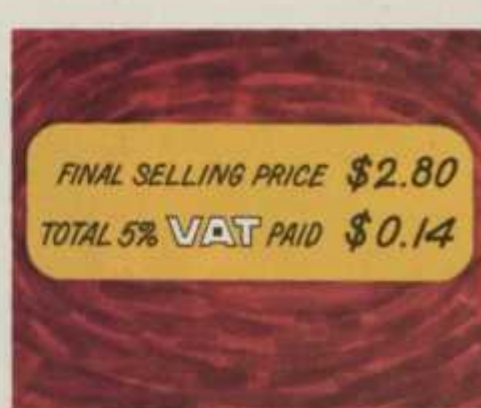
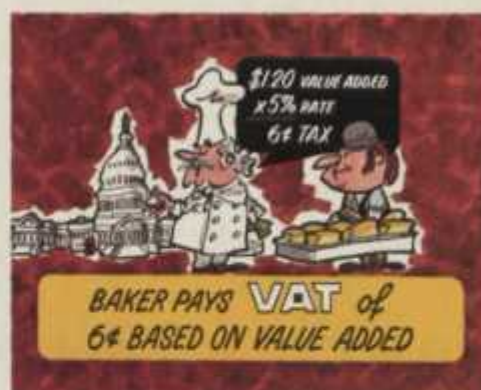
the VALUE-ADDED TAX is BASED ON THE INCREASE IN VALUE AT EACH STAGE OF PRODUCTION & MARKETING

VAT

IS PAID AT EACH STAGE OF PRODUCTION and MARKETING BY PARTY INCREASING VALUE

THIS IS HOW A 5% VAT WORKS.....





THERE ARE THREE TYPES OF VAT

1. GROSS PRODUCT TYPE
2. CONSUMPTION TYPE
3. INCOME TYPE

1. GROSS PRODUCT TYPE

... no deduction for capital outlays or depreciation

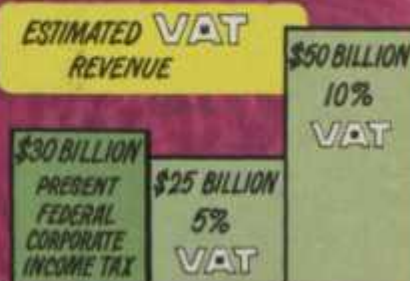
2. CONSUMPTION TYPE

... can deduct cost of capital equipment in the year purchased

3. INCOME TYPE

... can deduct depreciation of capital equipment

1% VAT
WOULD PRODUCE ABOUT \$5 BILLION IN REVENUE



Clare



LESSONS
OF
LEADERSHIP
PART LXXXII

Baron Guy de Rothschild of the House of Rothschild

Generations of dynamism

Two hundred and eight years ago a poor coin collector who lived in a house called "the Saucepan" on Jew Street in the Frankfurt ghetto learned that the landgrave, Prince William of Hesse-Hanau, was a numismatist. With that knowledge he worked his way into William's favor and into the financial swirl of Central Europe.

He had five sons and he sent one each to Paris, London, Vienna and Naples, while one stayed in Frankfurt. They started banks, loaned money to governments, became advisers to kings and business partners with premiers. Their sons, grandsons and great-grandsons expanded their enterprises until the family name became one of the most famous in the world.

The name is Rothschild.

Rothschilds have provided money to pay the Duke of Wellington's army, to buy control of the Suez Canal for Britain, to finance Cecil Rhodes, to build New York's IRT subway line, to buy a 50,000-square-mile chunk of Canada which was rich with uranium.

One Rothschild "bought" a planet

from an astronomer who discovered it.

Today the head of the House of Rothschild in Paris is Baron Guy Edouard Alphonse Paul de Rothschild. Along with cousins, Alain and Elie, he runs Banque Rothschild, one of the world's most influential banks.

Georges Pompidou, President of France, is a former Banque Rothschild official.

Baron Guy de Rothschild (pronounced in France "Ghee de Rot Shield" but in English, "Guy de Roth Child") is a man who must be consulted when truly big financial deals are arranged in France. He is a master at assembling the people and money needed for major transactions and he has the same uncanny touch for business that his progenitors had. His family's principal interests now are in numerous lines in addition to banking—investment trusts, mining, metal plants, oil, chemicals and real estate.

Baron Rothschild gives lavishly to causes he considers worthy, although only scraps of information escape on just how much he does give. Rothschilds can afford to give. It is said in Paris (but not by Rothschilds) that

every baby born into the immediate French and British branches of the family comes into the world with about \$100 million to his credit.

Hitler plundered Rothschild homes across the Continent and 100 freight cars were needed to haul away part of the art. Former Rothschild homes were so elegant that one now serves as the Soviet Embassy in London, another as the 57-room residence of the U.S. ambassador in Paris.

A Rothschild once left 25,000 francs to another Rothschild "so that he can buy himself some chocolates."

Baron Guy de Rothschild has himself led a Rothschild life. A front line soldier, he was captured by the Germans at Dunkirk in 1941, went to Vichy, France, but soon escaped to London. He spent a year in New York, then went back to Europe to join the Free French. His ship was torpedoed in the Atlantic and he swam for three hours before rescue by a British vessel. He became a bona fide hero of the French Underground and performed highly secret missions for Gen. Charles de Gaulle.

Nowadays, the baron, who is 62,

Baron Guy de Rothschild *continued*

lives the good life, which he knows how to appreciate. His greatest interests outside of business are art, his stud farms in Normandy and his racing stables in Chantilly, fine wine and great food.

NATION'S BUSINESS sent an editor to Paris to interview this candid, gifted and interesting man.

Paris is a great city, Baron Rothschild, and being a Rothschild here must be tremendously exciting.

It is. Paris is vital, interesting and it can be fun—so amusing. Not too long ago there was this fellow who sold roasted chestnuts from an old pushcart in Rue Laffitte, near where the bank is. He was dishing them out to customers—it was quite cold—in little cones of paper.

One customer came up and said to the chestnut vendor, "Look, I want a handful. I can't pay. May I pay you in a few days?"

The old vendor said, "I'm terribly sorry, but I made an agreement with Rothschild: He doesn't sell chestnuts, I make no credit."

Is it true that a Rothschild was the first to wear a soft collar evening shirt, and that one of your grandmothers invented brunch?

That first might be true. I well recall that my father, who died in 1949, and therefore who lived till a ripe age, was very formal in his dress. But he was not stiff. He was easygoing, although very elegant, and he managed to combine what would be old-fashioned formality in dress with great ease.

Until 1939 I never at home—never—had dinner, even alone or with my tutor, without being in a dinner jacket and black tie. If I dined alone or with my parents, or my father dined alone, it was in dinner jackets.

As for brunch, I don't know if anyone invented it. But I had a grandmother—my father's mother, who was an English Rothschild—who adored riding and hunting. In France, hunting is confined practically to stag hunting, whereas in England it's the fox they're after. So at Ferrières, which is the family place near Paris, she used to have what was called a drag. A man went ahead dragging

something that smelled, for the hounds to follow. It produced a mock hunt. She enjoyed this.

She was so fond of that form of life that good weather or bad weather, she scheduled her day always as if it were going to be a hunt day.

So, she always had a brunch because she couldn't have lunch. Whether she invented it or set the fashion, I don't know.

Do you dress every night for dinner now?

Oh no, no, no. I'm a man of this year or next year, not of last year. I wear blue suits on nonformal occasions and, in fact, I'm inaugurating now, when it is appropriate, the wearing of black velvet jackets and trousers. It's the new method of dressing for men—the new wave.

You and your cousins must run a happy bank. I understand some of your employees have been Rothschild people for many years.

This is not very true anymore. In the old days there was a tendency to keep people, as well as a tendency for their children to join the bank and ask the favor of taking over from their fathers.

It's probably not a good system in terms of modern management and modern recruiting. You ensure loyalty with family recruiting, but you also ensure perpetuation of a number of weaknesses.

What sort of workday is usual for you?

I have a fairly regular schedule. I always arrive at 10 o'clock, excepting when I have meetings. I read my



A day at the races is an even more enjoyable event for the Baron (second from left) and Baroness Rothschild when their own horses run, as they did this day at Longchamps. Actress Audrey Hepburn (right) was a guest.



Baron and Baronne Rothschild often visit l'Elysée Palace, where French presidents live. Present occupant of the grand residence is Georges Pompidou, who at one time was an executive of the Banque Rothschild.

mail, and attend to urgent things, and at 10:20 there is the inner meeting of the bank that lasts from a few minutes to an hour. The rest of the morning is devoted to outsiders, telephone calls, visits.

Then starts the other part of the day with lunch which might be here in our dining room, either alone or with guests. Or I will lunch in my other dining room at Le Nickel, the mother company of our mining group of which I'm chairman. Afternoons are more varied and range from studying problems that I want to look into carefully, to conferences, board meetings and outside meetings, and to commitments for charities, for problems with my racing stables. I get home at 6 or 7.

Do you take work home at night,

and do you do work on weekends?

I practically never take home any work, unless I have to write a speech. More often I write speeches on weekends—I always do my own speeches. I spoke in New York in 1970 for 30 minutes and I did get some help on that one. But I wrote the speech myself during a weekend.

You must be one of the few men high in business who does his own speech writing.

That proves I'm old-fashioned. To put across what you want to put across, you must use your own piece of work.

If it's not your work, it has no value whatever. One does want to satisfy one's own pride—and to make one's own mistakes.

What is the first rule of leadership that you believe in?

My personal rule involves the choice of men and the permanent re-appraisal of their activity.

I don't know if it's because I'm lazy—I'm very active but I might be lazy simultaneously, since you can be both—or because I have the instinctive feeling of not infringing on other people's activity, but I never do other people's work.

If anything, I try to get others to do mine.

But, I think I keep a very keen watch on how they perform in terms of immediate results and in terms of development, in terms of space and time.

I intervene when I think my executives are making mistakes, and should be on a different path. If that doesn't get them straight I have to have the courage to remove them. Each time I have had to intervene and remove someone I've regretted I didn't do it earlier. It sometimes breaks your heart to remove someone, but it's the essence of management.

Would you give Nation's Business readers an idea of how important Banque Rothschild is?

In terms of American banking we are hardly a flea. First of all because until 1967 we were a private bank with no deposits and therefore very small.

Our deposits in the first five years since we went public have gone over \$200 million, which for an American bank is a very small figure but which for a French bank is not insignificant. Our business is growing quite rapidly in size and in scope. We run the French equivalent of an open-end fund and which we sell through a sales force. We started it a year and a half ago and our sales value is so good, our potential so big, that our fund already is just 5 per cent below the largest fund in France, which is run and sold by Crédit Lyonnais—the largest bank in France.

How does your bank differ from the family bank of 100 years ago?

Very, very deeply. In the Nineteenth Century the Rothschilds were

Lessons of Leadership: Baron Guy de Rothschild *continued*



Here's the life of a Rothschild after banking hours. The baron's companions on this evening a few years back: opera singer Maria Callas (left), Elizabeth Taylor and shipping tycoon Aristotle Onassis.

bankers of states or governments and nothing else. Their job was to issue loans for governments. Well, the job ended when governments became too big for private banks.

Then our bank became something of what you would call an investment bank. It invested and managed industrial investments for the family. In France this was called *banque d'affaire*—something like an investment bank but more like a conglomerate. But now even that is an activity that is dwindling if not already dead, in my view, because you either manage a company or two, or you do banking. You don't do all of this.

So we are now neither a banker for governments, nor *banque d'affaire*.

We are a wee, wee, wee, wee Chase Manhattan Bank.

There is no difference between our activity and our approach and those of Crédit Lyonnais or Chase—except for that difference in size.

Now we open branches and accept the small deposit. We wouldn't flatly turn down the \$10 deposit, but we might discourage it. We run checking accounts and are delighted to have small or large portfolios under management. We, of course, make various loans.

The bank is owned by a holding company of which we Rothschilds are the principal stockholders. There are perhaps 100,000 other stockholders.

As a Frenchman whose family name is on some of the finest wines of France, what do you think of American wines?

I lived in America for a year during the war—in fact my son David was born there. My parents had a flat there as well. My father was very homesick and—to try to remain French—he tried the wines. I'm afraid to say he abandoned the California wines for Chilean wines, which

were closer to our standards. Since then, California wines, and New York wines, have improved tremendously.

I'm sorry to say, however, that when I go to America I have European wines, if not my own Rothschild wines, through the warm generosity of my American friends.

Although when I'm left to my own resources in America, I always eat in a drugstore.

What did you say, Baron Rothschild?

I said I always eat in a drugstore.

I like it, it's a change. I don't want French food in America. I get quite a lot of it here.

I'm accustomed to having good food at home, so therefore I enjoy a number of specific American dishes and things that come from the American way of life—hamburgers, waffles with maple syrup, doughnuts, sundaes, ice cream sodas.

How has your family remained so dynamic, generation after generation?

I suppose part of the answer is there have been few generations between the founder—the old gentleman of Frankfurt—and us now. Rothschilds for 150 years married late. My father was 41 when I was born and his father was 41 when he was born. It's obviously an accident of genealogy who you are, or if you're active, or if you're good or not good in whatever you do. The fewer generations there are, the better the chances that your family doesn't produce a weak link that will break the chain because of lack of taste or ability.

The Rothschild who came to France was James and he was only my great-grandfather. My grandfather was born in 1827. So with few generations covering such a big span of time, the genetic odds against us haven't yet had the opportunities to do their little tricks.

Baron, do you fear that down the line your family may come a cropper?

That's a certainty. But I won't see it because my eldest son, David, already has proved he's quite good.

What business interests do you have in the United States?

We've had several under various names—Amsterdam Overseas Corp., Five Arrows Co. and New Court Securities. We have sold some properties to Aetna Insurance and we still have interests in Wall Street. That's New Court. Our American people are first-class and we are in a good position. We may someday use the Rothschild name.

Do you go to America often?

No, I'm not much of a traveler. Once a year, maybe. My friends in New York always pull my leg and ask, "Are you spending the night this trip?" because I only travel with one small handbag. When the Concorde SST is ready I will be able to go to New York and back in one day.

Have you seen the Broadway musical, "Rothschild"?

Yes, last year. I was slightly disappointed. You don't see something about your own family with quite the

same dispassionate view that you look at something about another's family. There wasn't a single tune that I could remember to sing afterwards. I will say "Rothschild" was done in good taste. I didn't have to cringe.

Did anyone in the cast or audience know a real, live Rothschild was looking on?

No. I was taken by my New York lawyer.

Why has France lagged in establishing graduate business schools?

France did lag, and also was probably last in Western Europe to pick up the concept of science of management. This is a concept invented in America, absolutely. You don't teach business in a business school, you teach methodology of management. There's no question of the high regard here now for such schools.

Would you look with favor on sending young executives to American business schools?

Absolutely. My own son was to have gone to Harvard, but he was diverted for other reasons. Our regard for the Harvard Business School and the other business schools is at least as high as your own regard for them. Harvard renders a great service to the Western world by having many openings for non-Americans.

Do you foresee a Euro currency in 10 years or so?

There will be a Euro currency, but I don't know if it will come in 10 years. Making a time guess would be loose talk. One currency in Europe will be a result of unification politically. The currency will not precede unification. The point now is how fast European unification is going. Integration is taking place in little ways every day; there are few setbacks.

One service Gen. de Gaulle rendered to Europe was to forcefully show that Europe is not a number of provinces, but a number of separate countries with ingrained habits, traditions, links of power which could not be altered quickly. He showed that there is no use in saying there'll be one Europe right away—that integration will take time, so all must

be patient. After Nixon's new economic policy of last August all countries of Europe took different positions. Now, under French inspiration, Europe has an integrated view. This is revolutionary, and progress has been made with the Americans in monetary matters.

Do you foresee someday a European Stock Exchange?

Yes, and certainly long before a European currency. The market would not be in just one place. With modern techniques, branches all over Europe would be linked. This will be before 10 years are out.

What is the immediate future for the American dollar?

There's an old saying that the best currency is the one that has just been devalued. Therefore, I assume the dollar is best just now. However, the American government must have the strength to go through with the unpopular stages of ridding America of undue inflation.

It's hard, unpleasant and bad at election time. But the American dollar has been so sound and so stable for over 100 years that there is obviously a tradition for stability and a willingness in many American circles to make sacrifices to regain stability.

My own opinion is that the dollar will again be the most stable currency in the world.

What about the future for American agricultural products in the Common Market?

France had a truly agricultural economy until quite recently—nearly 40 per cent of our population was in farming.

Now, France is modernizing fast and the agricultural percentage is dropping rapidly—down to 14 per cent today. But that's far higher than the 4 per cent of Americans in agriculture. We can't just throw open the doors of the Common Market to American food products and write off 14 per cent of all Frenchmen.

Neither can Germany nor the other Common Market countries write off their agricultural populations. Our gates are more open now to American products than ever before, however.

And don't forget that America has

Baron Guy de Rothschild *continued*

had an overall favorable trade balance with the Common Market which rose to more than \$2 billion in 1970. Incomplete figures for 1971 suggest a further increase. Between 1958 and 1970 there was a fivefold increase of American sales to the six Common Market nations.

So, when one blames Europe, one is wrong.

Latest cuts under the Kennedy Round in tariffs—those last Jan. 1—reduced European tariffs to an average of 6.9 per cent compared to 10.9 per cent in the United States. French tariff reductions have been greatest but that is because France was a protectionist country.

And, it's not fair to say American business did not have an open door over here. Between 1958 and 1969, American direct investment increased fivefold—to \$11.7 billion. Investments in France alone were \$2.6 billion. During 1970, American companies over here repatriated over \$1 billion in profits. And this does not include the other profit money kept over here by American companies for improvements, enlargements.

It's not fair to say France has been hostile in trade to the U.S., especially in agricultural products. Sales of American farm commodities to Common Market countries more than doubled between 1968 and 1970. French purchases in the United States last year expanded 27 per cent to reach \$1 billion worth of agricultural products.

American banks are joining European banks these days in consortia. Do you think this is terribly important?

Not particularly. I think it's a technical move to try to get specialized knowledge and know-how and to improve the availability of clientele.

Do you suppose France and the United States will ever fully reconcile their differences on monetary affairs, on how the UN should be financed, on narcotics control and so forth?

Of course. I don't see so many differences, anyway. There was much irritation, genuine irritation, when Gen. de Gaulle was in office. He did



Baron Rothschild and son David—who was born in New York—arrive at the Palais de Justice in Paris for the trial of a man who failed in an attempt to kidnap David and ransom him for two million francs.

his best to create it—he thought it was a paying policy. But that did not show a lack of understanding or of friendship between France and America.

Georges Pompidou's style is the opposite to De Gaulle's. He tries not to irritate. Many points of irritation between the two countries are in the process of being solved now.

Much of the trouble over narcotics control is between men lower down in the scale of things. One lower-ranked official just wants to put the blame on another lower-ranked official. It's childish. Both nations are anti-drugs. We are fortunate here, in that there is much less drug use than in America.

I personally know the man who is in charge of the French narcotics

police, and he is a first-class man. Several years ago, he was in charge of a kidnaping-ransom case against me and my son, David. He performed brilliantly and made an early arrest.

Baron, how did you feel when De Gaulle kept hitting out at the American and British "Anglo-Saxons," when he withdrew France from NATO militarily, shouted "Vive Quebec Libre," and vetoed two British bids for Common Market membership?

Well, to be honest, part agreement and part disagreement.

America was running the West then and some people forgot that Europeans were accustomed to being masters of their own fate even if they did mess up their own history and

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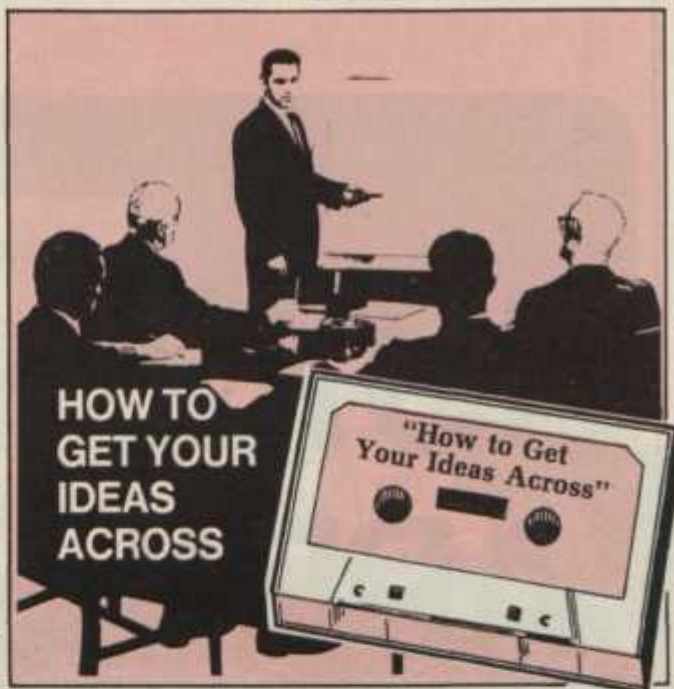
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Baron Guy de Rothschild *continued*

manage to kill each other off. The idea of being an American colony was one that many wanted to react against. Not through hostility, but through a sense of independence.

Everyone knew that NATO meant total subservience to American decisions which were not discussed with the allies—that atomic targets were obviously America's choice as targets.

One understood that there would have to be a change to regain some form of independence. But that didn't mean breaking up the alliance. And the alliance is not broken.

I could not go along with the general when he said "Quebec Libre." I may have sympathy for French Canadians but I disagreed with De Gaulle's shout.

I disagreed with all of his forms of taunting and public irritation.

His converting dollars into gold irritated the Americans, but now many of the things he urged have been adopted and even the Americans seem happy.

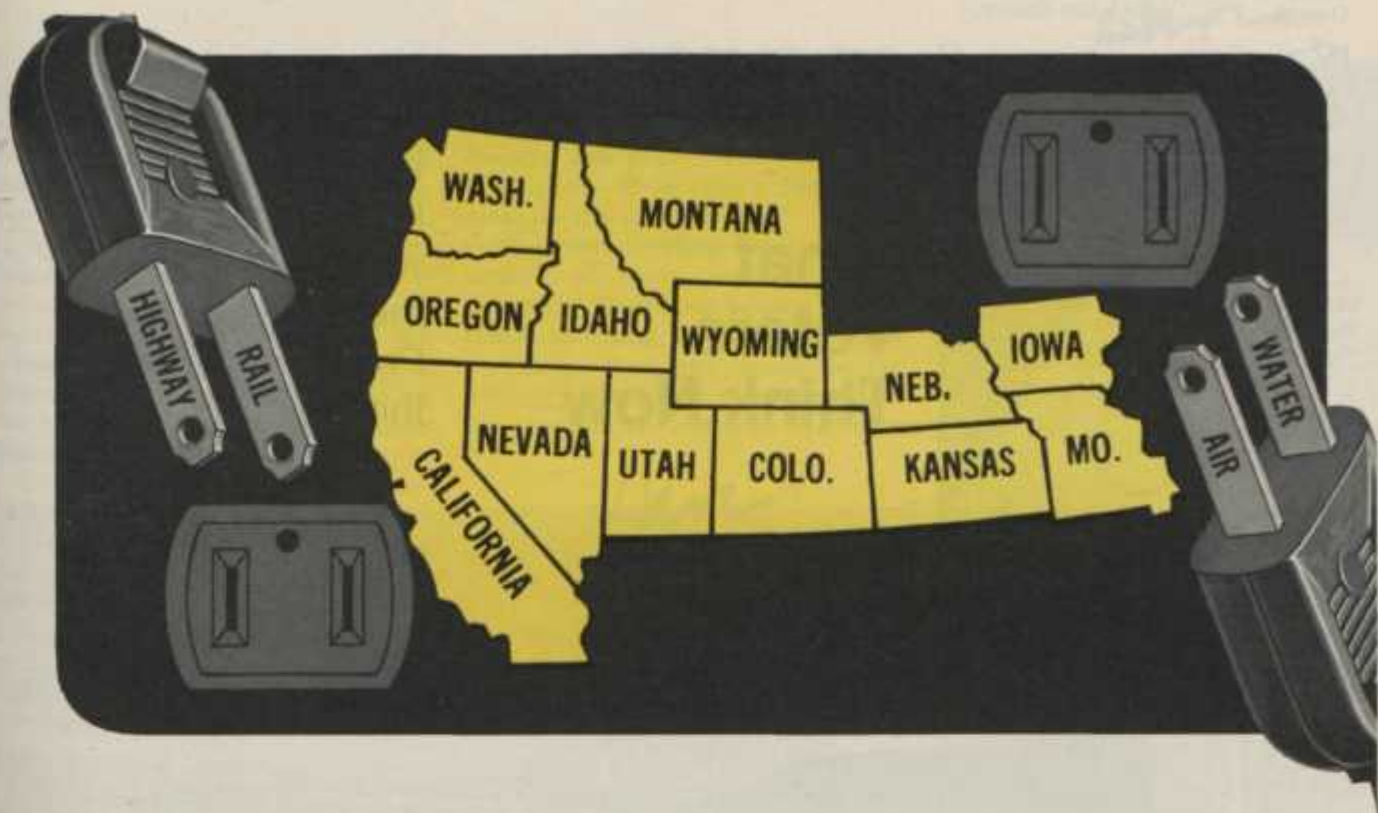
Power never listens to lack of power. De Gaulle knew this, so he created power, even if much of it was only nuisance power.

Will Frenchmen and Americans ever get along really well together again?

The feeling of fundamental differences, or difficulties, between the two is past. Your question applies to the past decade and not to the 1970s. I don't, however, think that France and America will return to the inefficient relationship of the La Fayette type that prevailed in the 1920s. I think we are going into a mutually constructive period, but not a sentimental one.

The relationship is now good. It will improve. And mark you, one day soon the relationship will again be one of warmth. **END**

REPRINTS of "Lessons of Leadership: Part LXXXII—Baron Guy de Rothschild of the House of Rothschild" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



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see map

km



SURVEY OF THE BELLWETHER COUNTIES

What Voters Think Now

No one in that large field of Democratic hopefuls is really big in three areas which have gone for the winner in every Presidential election this century

km



PHOTO: BRUCE MCALLISTER—BLACK STAR

Joe Stahanczyk, a farmer-rancher in Crook County, Oregon, says that low agricultural prices and high property taxes are among the top issues in his area. However, he adds, "I don't see any great shift of the farm vote to the Democrats."

plan

Joe Stahancyk took the glowing branding iron from the log fire and pressed it against the side of a young steer, which bellowed in protest and slammed against the barred restraining chute.

With the iron removed, the Diamond-J brand showed clearly.

As Mr. Stahancyk waited for the next steer, he gazed out across the landscape of Crook County, Oregon, toward the Cascade Mountains on the horizon, and pondered questions posed by a visitor.

"I'm a Democrat," the farmer-rancher said. "But I don't see anyone I prefer to Nixon. I think he has a pretty fair chance of carrying this county."

And what are the prime public concerns of the people of the area? "Prices—farm prices are too low—and taxes. Everyone wants their taxes lowered."

Nearly a thousand miles away, on the other side of the Continental Divide, the Rev. Robert G. Walkley sat coatless at his desk in the First Presbyterian Church of Cheyenne, Wyo.

What are the people of his area most concerned about? "In a word—jobs," the pastor replied. As for this year's election, "I'm not saying President Nixon is the greatest we've ever had, but he's done a pretty good job. I'd vote for him again."

Could Mr. Nixon carry Laramie County, where Cheyenne is the county seat?

"It would be close," Mr. Walkley, a Republican, said. "But, yes, I think he could."

Still farther east, in Palo Alto County, Iowa, James Thompson talked above the noise of a teletype clattering out grain and livestock prices—information important to him as vice president and manager of the Emmetsburg Grain Co.

"Nixon hasn't done anything I object to," said Mr. Thompson, who is mayor of Emmetsburg, the county seat. "Sure, I'm a Democrat, and a lot of Democrats are saying he waited too long to do something about inflation. But they had their go at it. The Presi-

dent made a good, sound economic move."

Will Palo Alto County be Nixon country this year? "Yes," said Mr. Thompson, "if he puts a dime or 15 cents on the price of corn."

The views of these three men are typical of those expressed in a NATION'S BUSINESS survey of the three remaining bellwether counties—counties that have voted for the winning candidate in every Presidential election this century. (NATION'S

Have



Mayor James Thompson of Emmetsburg, hub of Palo Alto County, Iowa, says President Nixon will win the county again if corn prices are improved.



Jobs are the No. 1 concern to the people of Laramie County, Wyo., reports the Rev. Robert Walkley of the First Presbyterian Church in Cheyenne, the county seat.

ROBERT T. GRAY, author of this article, is an associate editor of NATION'S BUSINESS.

What Voters Think Now *continued*



Laramie County Democrats chose Rodger McDaniel, 23, as their county chairman in an effort to appeal to the youth vote. One of the challenges he sees is getting young people to register in sufficient numbers to have any real influence.

BUSINESS also surveyed the three counties—and two others which then had similar records as political weathervanes—before the last Presidential election. The other two, Coos and Strafford in New Hampshire, went for Hubert Humphrey in '68.)

From a political standpoint, the most widely held view in Crook, Laramie and Palo Alto counties today is that President Nixon has done a good, if not spectacular, job.

If the three counties point the way as they have in the past, the message is that the President is a good bet for re-election, provided there are no major economic setbacks. Resumption of runaway inflation, or a sharp business turndown, could paint a different picture.

Neither major political party commands a substantial majority in any of the counties, and both parties have scored election successes in them in recent years.

It is perhaps of extra significance, therefore, that not one of those in the large field of eager Democratic candidates has so far caught on with enough voters to pose a serious threat to Mr. Nixon.

Most voters, including Democrats, when asked which of the Presidential challengers could defeat him in their respective counties, said they knew of none—at this point.

Sens. Edward Kennedy, Hubert Humphrey and Henry Jackson were cited most frequently as campaigners who would give President Nixon the stiffest opposition. But even the most fervent supporters of Sen. Kennedy saw no chance that he would be the nominee. Sen. Edmund Muskie, considered the Democratic front runner nationally, was seldom mentioned.

The political issues that voters of the bellwether counties—few of whom are at the extremes of either poverty or affluence—think most about today are:

- The economy. This has become easily the No. 1 concern as the Viet Nam War has wound down. President Nixon's wage and price controls have broad support among people traditionally hostile to government intervention. They view the controls as the last remaining weapon in what had been a losing battle against inflation.

- Taxes. Property taxes, especially,

are developing into one of the biggest issues.

- Welfare and foreign aid. These are two governmental activities that grate harshly on the sensibilities of people in such Middle Western and Far Western areas with pioneer heritages of hard work and self-reliance.
- Drug usage. There is a new note of concern about use of drugs and rumors of drug usage among young people, a problem once thought to be strictly the big cities'.

Missing from conversations of people in the bellwether counties are issues that would be major ones in any similar survey of urban areas: pollution, busing, traffic congestion and crime.

Except for an occasional comment along the lines of "we don't want to spoil what we've got," there is little worry about environmental problems.

Because only a relative handful of minority group members are in these areas and long-distance busing to consolidated schools has been a part of the residents' lives for years, the controversy over busing to achieve racial integration remains a remote one.



President Nixon would risk trouble with Wyoming conservatives if he dumped Vice President Agnew, says Laramie County G.O.P. chief Doran Lummis.

Some people, however, say they resent recent court decisions ordering racially motivated busing. They cite them as further evidence of federal intrusion into local affairs.

The view of the citizens surveyed were expressed in offices and stores, on the streets and farms. Here's how they think in this election year:

• • •

Crook County sits just about in the center of Oregon and its economy is attuned to the outdoors—farming, ranching, timber, and the hunting and fishing that draw tourists. Underground, there are semi-precious stones, such as agate and quartz, that are mined. The people generally work long, hard hours with their hands, and see no reason why others can't make their own way, too.

"People out in the rural areas take personal pride in doing for themselves," says George T. Higgins, a Crook County commissioner, as he stands in the doorway of his ranch house near the tiny town of Powell Butte. "They find it too embarrassing, too damaging to their pride, to have to go and ask for help. So we dig and scratch out what we get."

A Democrat, Mr. Higgins says that "all in all, I think Nixon has done as well as any President since Truman. We're all pretty happy with the wage and price policies. They're giving us a cooling off period."

He believes the President will again carry the county. As for Democratic alternatives, "I'm not really sold on any of them."

A few miles east of the Higgins ranch, Mrs. John Bayles works in a

general store, complete with old-fashioned stove and rocking chair.

What does she think of President Nixon's record so far? "I'm a Democrat," she says with emphasis, but expresses the dilemma of many county members of her party when asked if any of the Democratic contenders could win the Presidency.

"No, sir, I just can't figure any. I wish they could get somebody to beat him, but I don't know who it could be."

Mrs. Bayless' husband is as staunch a Republican as she is a Democrat. "We don't talk politics," she says.

The Powell Butte area, where the big ranches and farms of Crook County are located, is east of Prineville, the county seat which nestles in the Crooked River Valley. Prineville has 4,100 of the county's 10,000 residents and is its commercial hub.

Mark Wilbur, editor of the weekly newspaper, *The Central Oregonian*, says area voters "are fiercely independent and very conservative." Their loyalty, he believes, is more to a conservative stand than to either party. The youth vote here reflects views of parents, he says, and will not change traditional voting patterns.

Pocketbook issues—taxes and the price farmers get for potatoes—worry voters in Prineville. While President Nixon isn't really popular, Mr. Wilbur says, "the Democrats have no real alternative, nobody who looks attractive," and that's why he'll probably carry the county.

As do other voters, the editor feels that any candidate who comes up with a plan for rolling back local taxes will be "terrifically appealing."

At the Thriftwise general store, pharmacist Larry Hallin scorns President Nixon: "I don't think too much of him. Wage-price controls aren't working. Prices are still going up and they're only letting certain pay go up."

Mr. Hallin, whose personal choice is Sen. Jackson, thinks the country's biggest problem is a decline in moral standards. "Drugs, divorce, abortions!" he says. "It makes you think of what happened to the Roman Empire."

Mrs. Roy Davenport, who runs the Prineville Credit Bureau, is also the

What Voters Think Now *continued*

Flam



Dock strikes that disrupt farm exports are one of the big issues bothering residents of Palo Alto County, emphasizes banker John F. Spies.

A "more conservative trend" is developing among voters, says James M. Flinchum Jr., Cheyenne newspaper editor.



longtime Crook County Democratic Committee treasurer. She, too, can't see any of the current contenders for her party's nomination defeating the President.

"I wish I did, but I just don't," she says. "I have no idea what issue could win for the Democrats, with the war wound down. Who is to blame for inflation isn't clear-cut to the voter."

There were 4,700 registered voters in Crook County at the end of 1970 and only 118 were under 21. Most under-21s who did register were escorted to the registrar by their parents, so Mrs. Davenport sees no great surge of youth votes for a liberal candidate.

Colin Matheny, a Republican and president of radio station KRCO in Prineville, says the success of Phase II controls is the key to the President's carrying the county.

"Strictly as a matter of magnetism,

charisma or whatever you want to call it, Sen. Kennedy would be the strongest Democratic candidate," he says.

• • •

Laramie County, in southeastern Wyoming, includes Cheyenne, the state's biggest city—which grew up around the Union Pacific as it built west from Omaha to the historic transcontinental railroad hookup in Utah.

Ranching and farming are an important part of the county's economy. So are the jobs that result from Cheyenne's status as state capital and county seat, and from the payroll at the nearby Warren Air Force Base, headquarters of a missile complex.

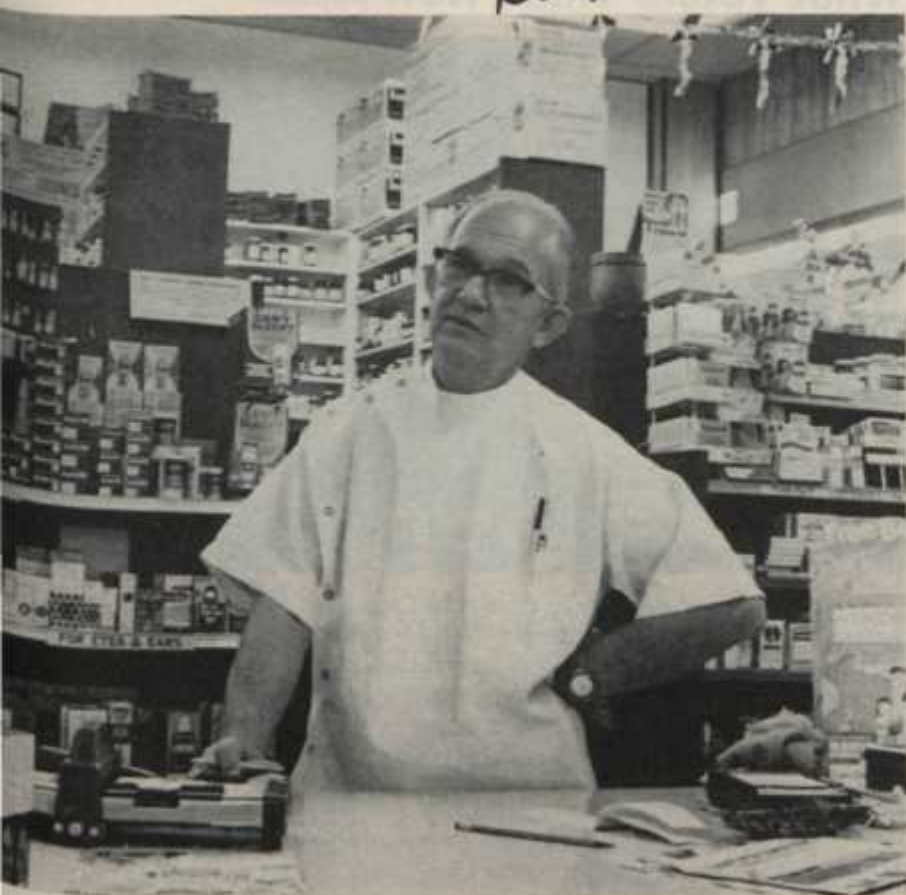
The President carried the county in 1968 by a razor-thin margin of 305 votes out of nearly 21,000 cast.

James M. Flinchum Jr., editor of *The Wyoming State Tribune* and a Republican, thinks Mr. Nixon will do it again and even pick up some support from blue collar workers generally considered ardent Democrats.

"The liberal politicians have failed to realize that the old American ethic is still a very strong one," Mr. Flinchum says, "and I think a more conservative trend is developing. The fact that so many hippies come from well-to-do homes hasn't escaped the attention of the working man, the guy who takes a dim view of welfare, who says that 'By God, we work hard for a living, so why do we have to support them?'"

Sen. Jackson, in Mr. Flinchum's view, would put up "a real tough fight" for the Presidency.

In explaining why ballooning of welfare rolls is among the things that bother him most, Caesar Oriano,



Pharmacist Larry Hallin of Crook County, Oregon, is concerned that wage jumps allowed some unions will undermine anti-inflation efforts.

owner of a tavern, recalls he first came to Wyoming in 1944 as an Italian prisoner of war.

Then he joined the U.S. Army under a program to enlist Italians for service with allied forces in their own country and went back to Italy. But he returned to Wyoming when the war ended.

"I couldn't speak English, I didn't have any money, but I didn't go looking for any handouts," he says. "If you don't work, you don't deserve anything, as far as I'm concerned."

Mr. Oriano, a Republican, adds: "I think Mr. Nixon is basically on the right track. He has a lot of good ideas. He is giving America back her self-respect."

John J. Cummings, a truck driver, shares Mr. Oriano's views about welfare, but not about the President.

"We ought to cut this foreign aid out, too," he says. "I don't know

about Nixon. He's got this freeze deal all fouled up." To Mr. Cummings, Alabama Gov. George Wallace might be the best man to "straighten things out."

Police Chief James W. Byrd says there is "a little bit" of concern in Cheyenne about drugs, but adds: "Our youth isn't a serious problem. We don't have any gangs, only three or four hippie pads."

Republican and Democratic party chairmen in Laramie offer sharp contrasts. The G.O.P. leader, Doran Lummis, is a veteran of politics, a prosperous rancher who views the local economy as "so vibrant that anybody who wants work can get a job here."

Rodger McDaniel, Mr. Lummis' Democratic counterpart, is, at 23, less than half his age. A member of the home district office staff of Rep. Teno Roncalio, Mr. McDaniel is also

a student at Laramie County Community College. His choice as party leader was an admitted move to appeal to younger voters.

He disagrees with Mr. Lummis' optimism and says "the economy has to be the major issue concerning people of this area."

Mr. McDaniel's personal choice as a candidate would be Sen. Kennedy but he admits this isn't likely to come about. He has been pushing registration among young voters, but thus far they haven't signed up in substantial numbers.

While President Nixon does seem a good bet to take Laramie County, Republican Chairman Lummis adds a couple of cautionary notes. Should he try to replace Vice President Agnew on the ticket, he'd "be in real trouble," Mr. Lummis says. "Spiro is somewhat of a hero in Wyoming. He's a rugged individualist and that type of man is liked out here."

He also feels the President "might have stuck his neck out a little bit" on the trip to Peking and thinks Mr. Nixon should be wary of any action that might appear too friendly toward Red China.

• • •

Palo Alto County, Iowa, cast only four votes in 1860 for Abraham Lincoln to 26 for Democrat Stephen A. Douglas. But it has long since been far more in tune with national thinking, as its bellwether status shows.

Since 1885, when the first permanent settlers broke ground with an ox-drawn plow to plant corn, buckwheat and turnips, the area's fortunes have been tied to agriculture.

Farming is still, in 1972, the No. 1 political issue.

"Corn prices are terrible," says John F. Spies, president of the Iowa Trust and Savings Bank in the town of Emmetsburg, adding that dock strikes that halt shipment of corn and soybeans to overseas markets cause bitter resentment. People of the area, he also says, are concerned about the overall national economy, and "this continued deficit spending."

President Nixon's re-election bid could hit rough going in the county "if we still have low corn prices at election time," the banker believes. He

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What Voters Think Now *continued*



Jody Smith, 18, of Ayrshire in Palo Alto County, is the nation's youngest mayor (after the 18-year vote amendment was passed, he provided the only opposition to the incumbent, and won with a pledge of better roads). He says most young people in the county support President Nixon. In addition to his mayoral duties, His Honor drives a school bus and attends a community college.

also thinks that Sen. Muskie will run better than any other Democrat, but that "the guy who the farmers think will deliver most for them will carry rural Iowa."

The President's Viet Nam policies are a big plus for him here, but farm policies are still paramount with most voters.

At the Emmetsburg Grain Co., James Thompson repeats a comment heard frequently: "You can't buy a \$9,000 tractor on \$1 corn."

The mayor of Emmetsburg, which is home to 4,100 of the county's 13,300 people, sees taxes as a big concern, even "for a small town like this one."

Sen. Kennedy, as did both his brothers, President John and Attorney General Bobby, has strong support.

"We have a lot of Irish around here," explains Mayor Thompson. His own children, he points out, are named Pat, Mike and Kelly. "Guess what I am?" he asks.

The decline in the number of farmers, here as well as in all the Middle West, is eroding the political influence of the once powerful agricultural bloc in Congress, says Cletus Elbert.

A jovial farmer who works 1,533 acres, he is another Democrat who doubts his party can produce a candidate strong enough to defeat the President.

Would the farm vote hurt G.O.P. chances? "There aren't enough farmers to hurt anybody anymore," Mr. Elbert says. "We can squawk all we want."

Over in the town of Cylinder, in the east end of Palo Alto County, Harlan Meier is a one-man miniconglomerate. He sells farm implements, bottled gas, snowmobiles and household appliances; runs a restaurant; trades in hogs; trucks livestock and runs a car wash.

Business has fallen off because of the depressed farm economy, but he says, "I've seen worse."

He feels President Nixon "hasn't done anything really bad, and none of the Democrats look any better to me."

The mood of the three bellwether counties, in capsule, seems to be that just about nobody in this election year is really completely happy with the policies of the President. But just about nobody is really angry about them, either.

END

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Traps for the Country Club

Skyrocketing taxes, declining public interest and the state of the economy are among things making it tough to keep up to par

Near Philadelphia, until a couple of years ago, there was a gracious old country club where generations partook of golf and fun and fellowship. But the club isn't there any longer. It's in receivership. Hardening of arteries set in. Membership grew old. Stalwarts died and no freshet of young members came in.

In the New York City area there was a fine little club for middle income (\$12,000 to \$20,000 a year) people. They wanted a game of golf they could afford and the club gave them what they wanted. It was inexpensive and handy. Three years ago, property taxes trebled. Today, shopping center pavement and hot dog stands cover the area where the clubhouse, first and tenth tees, and ninth and eighteenth greens used to be. Not far down the road is a parking lot. Another club once was there.

In New Mexico, a well equipped golf and country club hangs onto dear life with a set of weakening fingernails. The town nearby is half ghost, half broke, half gone. A defense industry plant cut back in 1969, then shut down. The club had expanded in the early 1960s to make room for an influx of high income people. It played the boom and lost.

In Southern California, there's the opposite—a club that resurrected itself. It reduced average age of membership from 60 to 45, brought in youngsters with junior memberships,

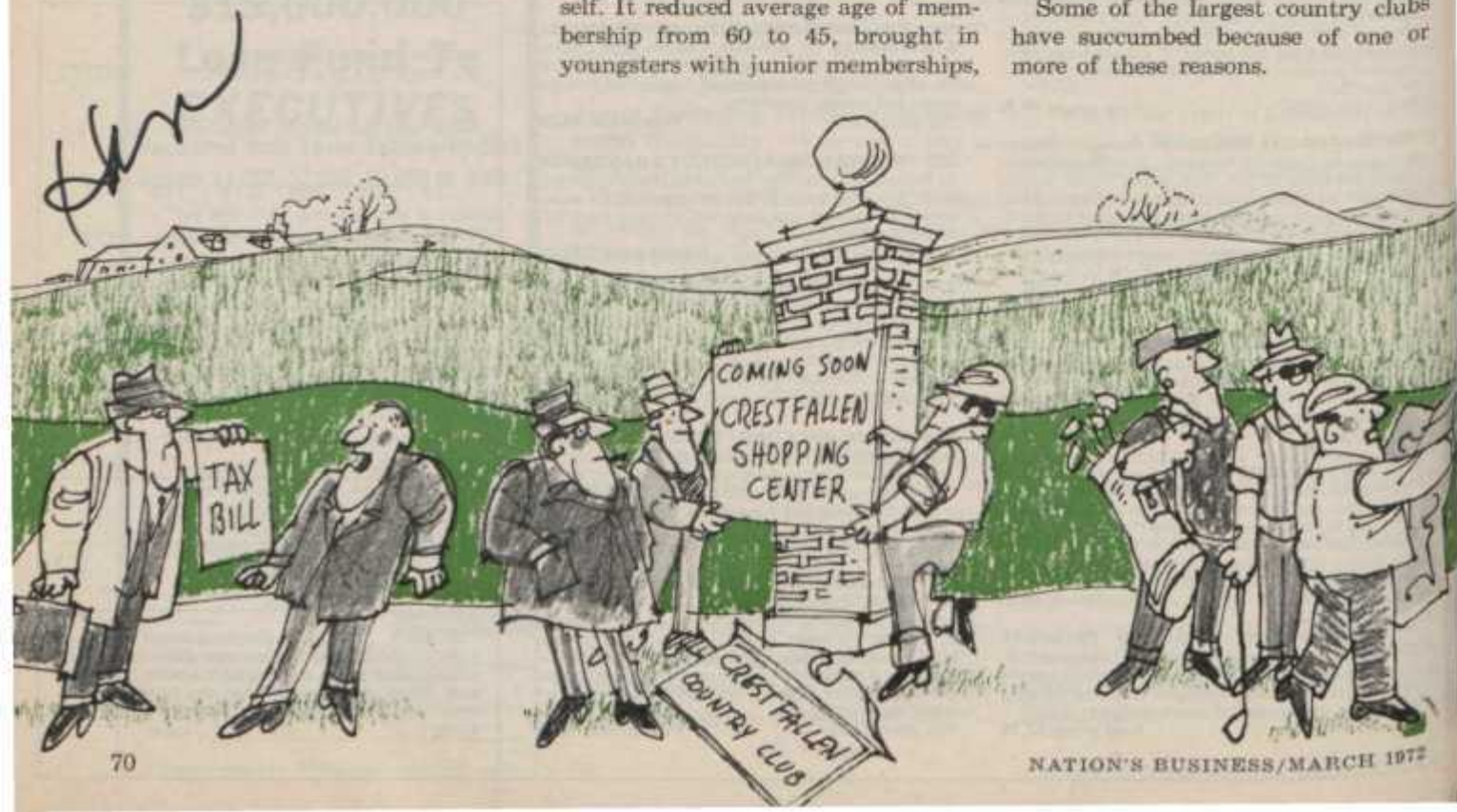
appealed to 30- and 40-year-old executives who have money to spend. Parties, golf and tennis tournaments, bridge, bingo and trap shooting fill the club. The cash flow is good.

There are ways to avoid what happened in Philadelphia, New York and New Mexico and ways to match the California happening. No club has to add itself to the net loss of 561 private country clubs since World War II. But for the 6,300 surviving country clubs, the urgent word is, "Get to work or it will be too late to save the club."

Taxes and more taxes

Kenneth W. Emerson Jr., executive director of the National Club Association, says problems which have beset clubs include: skyrocketing property tax assessments; special excise taxes; new taxes on "unrelated" club income; loss of "nonprofit" status; charges of discrimination by minority groups and women; withdrawal of various licenses; falling membership due to the recent economic turndown; lack of interest among young people; resistance to increased dues and initiation fees; lower club utilization by members; loss of top class managers and other employees; and increased payroll costs.

Some of the largest country clubs have succumbed because of one or more of these reasons.



Mr. Emerson gives this partial list: Tam O'Shanter and Wauconda near Chicago; Deepdale and The Old Country Club on Long Island; Hudson River Club in Westchester County, N.Y.; Tamarack near Washington, D.C.; Brookview at Minneapolis; The General Washington outside Philadelphia; Elm Park near Williamsport, Pa.; Lancaster Hills and Ridgmont in the Detroit area; Lake Shore near Cleveland; San Fernando Valley Golf Club, Sunset Fields and Huntington Beach in the Los Angeles area.

Mr. Emerson's warning that many more clubs will disappear unless there is some relief from taxes and unless clubs protect themselves, is repeated by club officers across the country.

The biggest problem facing clubs is increased property taxes. Most have been assessed for years as if their land were farm or recreational land. But many are now bordered by expensive homes, and some communities have begun taxing clubs on a higher "best land use" basis.

All New Jersey clubs are threatened with assessments as if their golf courses were a series of 30,000 square foot residential lots, plus \$15,000 per golf hole. Two clubs already have been test-assessed on this basis. Scores of clubs in New York and Connecticut have had assessments trebled in three years. Some Ohio clubs face the probability of having taxes quad-

rupled within two years. A Pittsburgh club's tax bill went up \$70,000 at one whack.

A famous club in Westchester County, N.Y., is paying an extra assessment of \$35,000 because a new school was built in town and money was needed to pay for it. Montgomery County, Md., outside Washington, D.C., has levied a 9½ per cent excise tax on spending for sports and entertainment at all country clubs. Taxes on "unrelated" business (such things as renting club facilities to nonmembers) as well as excise taxes on dues (10 per cent in Connecticut) are other new sources of public revenue.

Ecology woes

Some club officials feel tax authorities, always strapped for funds, seem to be singling them out on a theory that they are "luxury" and can always get more money from members. The vast majority of business and civic officials who serve on club boards say this isn't so. Many have begun to take aggressive counteractions by sending delegations to talk with tax authorities, and circulating petitions among people living nearby, pointing out how recreational, open space benefits a residential area.

To guarantee low tax rates, some clubs have successfully had their property designated "green belt"

areas which cannot be developed for residential or commercial use.

Frank G. Hathaway of Los Angeles, former president of the National Club Association and active in operating four West Coast clubs, says disenchantment among members with ecologists is deep. "The ecologists aren't helping us in the clubs although we are providing the green space and trees they want," he explains. "If we tried to subdivide the property of Riviera Country Club in Los Angeles, the ecologists would hang us in effigy."

(Riviera is one of the nation's most famous clubs and it pays over \$250,000 a year in property taxes. The club is owned by shareholders.)

Many clubs have surrendered non-profit status (if they had it) and gone all out for suitable public business. One example is Denver's Pinehurst Country Club.

Milton E. Meyer Jr., an attorney who is a Pinehurst official, says Pinehurst now rents its facilities for the use of nonmembers, though a member must do the booking. Considerable business accrues but local restaurants can't claim the club has a special tax advantage.

Mr. Meyer feels country clubs perform a very useful function for businessmen. The clubs, he says, are not "playthings of the rich."

The nation's clubs are now paying an estimated \$140 million in property



Traps for the Country Club *continued*

taxes alone—almost precisely twice what was paid two years ago. Increasing tax bills of various kinds have closed 98 clubs in New York State in recent years, another 65 in Wisconsin, 65 in Illinois and 50 in Massachusetts.

Another problem that club officials often must worry about is the increasing attack launched by women's liberation followers who demand removal of those familiar "Men's Bar" signs and the lifting of restrictions against women members playing golf except on uncrowded weekdays.

Mr. Emerson explains that clubs which try to hold down on full female participation face threats to have local authorities lift liquor, tobacco and other business licenses. States where licensing laws are under most intensive review by authorities, he says, include New Jersey, Iowa, Wisconsin, Washington, Pennsylvania, Massachusetts and Maine.

Internal problems

Not all problems besetting clubs come from outside. Plenty are internal and a big one is slumping membership.

Famous clubs across the country are accustomed to having lists of 200 and 300 prominent people eager to pay from \$1,000 to \$5,000 initiation fees. This remains true for a prestige handful. But most now have small waiting lists, or no waiting lists at all. Two things are responsible—the business turndown and an obvious drop in interest in clubs.

Hundreds of clubs counter slumping interest by permitting high school golf, tennis and swimming teams to use their facilities, or allowing local organizations to use clubs for civic meetings and dinners. Many are pushing junior and nongolfing (sometimes called social) memberships at reduced dues. A few are establishing quasi-connections with large companies; others have joined forces with civic or fraternal organizations as sources of new members.

Rebuilding membership is a tedious process and Mr. Emerson says, "It will take up to 10 years to determine how well clubs will survive this drop in interest."

One reason, officials say, for dropping interest is that many clubs no longer fit the needs of members.

There may not be enough tennis courts or there may be too many, the swimming pool may not be Olympic size, the ballroom may be too large (and what's more dreary than a half-filled ballroom?), the meals may no longer suit the palates of members.

Smart clubs are now taking polls among members to see exactly what is wanted. In some cases, evaluations show that membership which once was largely social is now sports-oriented. When this is true, clubs have added new sports facilities, turned ballrooms into handball courts, put sailboats on club lakes or nearby rivers, added horseback riding. Clubs suffering declining food business are reducing sit-down meals and playing up drinks and hot-cart meals which can be served in locker and game rooms. If interest in food is just so-so, some often go entirely buffet service.

Economies in food service are said to be the principal reason why club operating and payroll costs have gone up only 25 per cent in two years.

Club dues went up 6 per cent on the average in 1971 and they are still rising rapidly. Few opportunities exist to avoid this. But experts in club operations say one way to help offset slumping income is to establish monthly or quarterly spending minimums for members. For example, if a monthly minimum is \$50 and there are 300 members, the club can look forward to having at least \$15,000 a month assured income over and above dues, fees, contributions and additional spending by members. Minimums get more people to patronize their clubs because if they don't spend their minimum, they lose it. Facing such a loss, they usually attempt "to use up" the minimum. But, it can work the other way too. People who consistently fail to spend the minimum may decide to drop out altogether.

Demand for top class personnel is far ahead of supply. This is partially due to the many new downtown luncheon clubs, fine restaurants, hotels and motels. These often pay better salaries, are more accessible and have better working hours.

One way of combating loss of personnel, say experts, is to emphasize to employees a system of "portable fringe benefits" given by some coun-

try clubs. Under the plan, backed by major insurance companies, club employees can bring accumulated pension benefits and other fringes with them when they go to work for a different club. They must no longer start out anew on pension schemes every time they change clubs.

Clubs can get help in finding top personnel by contacting Mr. Emerson's organization at 1129 20th Street N.W., Washington, D.C. 20006, or the Club Managers Association of America, Suite 705, 5530 Wisconsin Avenue N.W., Washington, D.C. 20015. They maintain lists of clubs wanting personnel and of personnel wanting jobs, and they try to match man to job.

These associations, and individual club officials, say that among other problems is the narrowing difference between per member spending and per member expenses. During 1970, the last year for which figures are available, the average country club took in \$1,423 per member and paid out an average per member of \$1,401. Obviously \$22 per member isn't enough to meet debt service and to make improvements.

An external problem facing many a club is that of seizure of its property by right of eminent domain. Orchard Hills Golf Club, in New Jersey, lost half its course this way, for example.

Not all gloom

But the picture here is not all gloomy.

Several clubs have managed to fight off attempted seizures by pointing out the disadvantages that communities incur in destroying country clubs.

Golf courses raise the value of surrounding properties and once they are removed property values often go down. Also, if houses, apartments or commercial buildings replace golf courses, then sewage, water, garbage, school and police services must be supplied in far greater quantities.

Since community governments are finding that they often spend more money providing these added services than they collect in taxes after development, they sometimes can be persuaded that exercising the right of eminent domain is wrong. **END**



This Month's Guest Economist

Robert O. Welk
Director, Statistical Services
Eastman Kodak Co.

Spotlight on Productivity

Productivity is at center stage in the current economic drama.

Arguments have been put forth that would lead one to believe that rising productivity would cure nearly all our economic ills. On the domestic front it's said that if wage gains can be equalized with productivity gains, our inflation problem will evaporate. On the international scene it's pointed out that productivity gains more rapid than our foreign competitors' will enable the U.S. to compete more effectively and improve our balance of payments position.

Productivity also has been enshrined in the Phase II Pay Board and Price Commission guidelines. The 5.5 per cent pay guideline assumes a national increase in productivity of 3 per cent and a 2.5 per cent allowable rate of inflation, which is the Price Commission guideline.

In spite of the generally accepted importance of productivity, the difficulties of measuring it are manifold. Questions arise even with broad national measures. For example, is it labor productivity that is being measured, or total factor productivity—which includes the effects of both labor and capital?

In the private indexes showing gross national product per man hour, the government sector is omitted, presumably indicating that productivity does not change in the government sector. Are productivity measurements meaningful for many service activities?

When the difficulties of measuring productivity on a broad national scale are so apparent, it may seem overly optimistic to think that it can be measured for individual firms or—even worse—for specific products.

Yet that is precisely what is re-

quired by the Price Commission on Form PC-1 "Request (Report) for Price Increase for Manufacturing, Service Industries and Professions." In view of this, the ambiguity of the term productivity is unfortunate.

Productivity can mean the actual dollar value of output per dollar of input at points in time. It is more commonly used to describe the rate of change of output compared to the rate of change of labor input. The Pay Board and Price Commission appear to be interested in this definition of productivity and probably will be looking at changes in output per man hour.

What is involved in calculating a productivity index for a company? If productivity is defined as the rate of change of output compared to the rate of change of labor input, then the company needs output and labor input measures.

Sales are a good measure of output for the multiproduct firm, provided they are in real terms—that is, the effects of changes in the company's price structure must be removed from the sales data through use of a company price index. A further refinement is to add the change in finished goods and work-in-process inventories, also in price-corrected terms. Where a firm's output is a single product, a physical output measure (pounds) may suffice.

Man hours worked is the most desirable measure of labor input, although number of employees working can be used as an alternate but less desirable measure. Generally, the output measure (sales) is divided by the input measure (man hours) and the result converted to an index. The rate of change in this index measures a firm's productivity.

Such indexes are useful, but they have shortcomings. Businessmen don't use labor exclusively to produce a product or service. They also utilize capital equipment and buildings—and apply management skills to alter the collective behavior of capital and labor inputs to get greater output. What is the impact of capital investment and managerial skill on productivity, and how does company management "get it all together" to improve productivity?

Output per unit of labor input can go up if investment in labor-saving equipment or more efficient facilities leads to an increase in output with unchanged or relatively slower growing labor inputs.

This means that it may not be necessary or even desirable to reduce employment or cut hours per worker in order to achieve productivity gains.

On the contrary, the opposite response—raising man hours and combining this with more efficient equipment—might lead to larger productivity gains.

The point is that commonly calculated measures of productivity focus on labor input and overlook the importance of capital investment, managerial skills, etc., in contributing to productivity gains. Thus, capital investment should be given more attention in the present economic situation.

If investment is to get more attention, so must profits. The relationship between profits, capital investment and productivity is logically as well as empirically strong. Regressions among the three variables during the past two decades indicate that between 85 and 91 per cent of the variation in each of the measures is explained by one of the others.

In summary, companies are being required to develop productivity indexes for individual operations for negotiating and reporting to Phase II commissions. Common indexes, however, overlook the importance of investment.

It is hoped that the Administration, Congress and the Phase II commissions will encourage investment by avoiding restrictions on profits.

For rising profits and investment are associated with rising productivity.

How to Keep Tab on the Competition

Ham



How important is knowing what your business competitor is doing to the success of your business? Vitally important, experience suggests.

During 1969's great Alaskan land sale, a pair of binoculars was standard equipment for oil scouts employed to keep tab on the latest moves of competitors. In the fashion business, stories are told of paid spies filching new product secrets. And tales of aerial reconnaissance in the auto industry are even more cloak-and-daggerish.

"Competitive intelligence is big business today," says Sy Hyman, chairman and president of Health-Chem Corp., New York City. "And some firms employ techniques worthy of the CIA, FBI and James Bond." But like most ethical businessmen, Mr. Hyman frowns on illegal spying and dubious practices.

On the other hand, he's a realist. Firms must know competitors' advantages and disadvantages, he says, to be able to capitalize on them. "We should know their pricing practices. We should be able to interpret their plans for the future on the basis of past and present performances and combat them with better plans of our own."

Such intelligence, experience proves, is necessary for growth. In some industries it is essential for survival.

Barring the cloak-and-dagger extremes, how can you honestly and ethically set up meaningful pipelines to offset the competitive information which your competitors are probably gathering about you? The follow-



ing proven strategies work successfully for a number of marketing-oriented companies. Hopefully, they will work as well for you.

Organize an aggressive program—A spokesman for Westinghouse Electric's consumer products division says: "We find that we can follow the highest standards of legal and ethical conduct and still obtain most of the information we need to operate our business intelligently." Evidence shows this can be achieved most effectively where a well planned program of aggressive data gathering is in force.

An organization with an aggressive program that pays off is Health-Chem's Herculite subsidiary. The effort is as carefully structured as a financial plan or manufacturing blueprint. One particularly effective tool is a comprehensive "Guide to Gathering Marketing Intelligence" distributed to key personnel. The guide clearly spells out the scope of the program. It defines the kind of information wanted, explains the role of each functional group, pinpoints sources to probe and strategies designed to get the best results.

Management involvement is a prime factor. In the past, says John Sargent, vice president of the New York management consulting firm of Cresap, McCormick and Paget, the sales manager often bore broad responsibility for the intelligence gathering function. The trend today is changing. At Scott Paper Co., for example, responsibility lies with marketing research and research and development. Data gathered is evaluated by the product management group concerned and this group reports to the top. Such an arrangement establishes accountability with the group which has the largest stake in the area.

In setting up a formal program it's important to make clear what the company needs to know. Borden Chemical Co.'s consumer products division does this quite explicitly. At the hub of the intelligence need in this

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Salesmen gather best data

fiercely competitive industry is knowledge of the manner in which allotment of shelf space to different brands varies from retailer to retailer.

"In our business," says Divisional Vice President Milton Stohl, "detailing the stores is the most important intelligence activity we indulge in." It tells how his company's products are moving in comparison to the competition.

Involve all your key people—Many companies focus intelligence gathering responsibility exclusively on the marketing department. This approach is a mistake, one Scott Paper official believes. "At Scott," he says, "alertness to competitive activity is everyone's job."

Yet most executives agree with John Sargent that the man with the best pipeline to competitive data is the salesman. When working with salesman Mr. Sargent underlines the need for continuing playback. "A salesman gets easily discouraged if he's made to feel he's pumping information into a vacuum. He wants to know how the data is used, and the results."

Sam Halpern, secretary-treasurer of CBS Equipment Corp., Hackensack, N.J., lays special stress on the competition's shortcomings. In one case a customer complained to a salesman about a key rival: "Once he gets the order he forgets about you. His follow-up is for the birds." The salesman reported this and it was passed on to other CBS Equipment salesmen. Now

they all stress the company's concentration on follow-up and service.

Herculite extends involvement beyond the marketing function.

Industrial relations people, for example, interrogate job applicants for tidbits and maintain contact with colleges and employment agencies. Nonmarketing as well as marketing employees sound out friendly distributors who were approached by competitors. They inquire about competitive mailings. Users of competitive products are pumped as well.

Most data gatherers lean heavily on published materials. "Quite often trade papers are the first to alert the industry to significant new developments," says Sam Halpern.

Financial people are urged to review statements on file with the Securities and Exchange Commission. Engineers study technical abstracts. Annual reports and executive speeches are perused because, "putting their best foot forward, companies prematurely disrobe efforts that normally would be kept under wraps," Mr. Halpern comments.

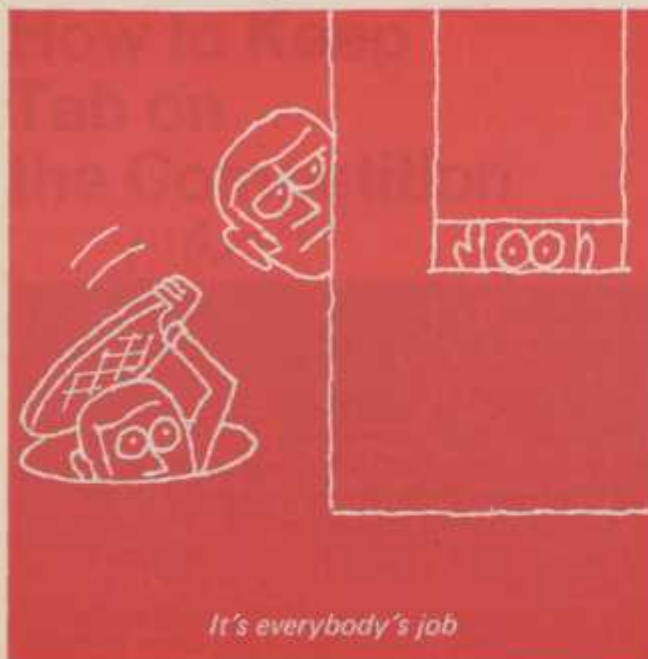
Westinghouse Electric's consumer products researchers keep a sharp eye peeled on competitor news releases, advertisements, publications and catalogs, and government trade and business publications. "Most of our competitive information," admits an executive at another major company, "is obtained through the mundane technique of analyzing press clippings."

Open pipelines to the marketplace—One of the best storehouses of information rests under the hat of the supplier's representative. "As information carriers," says Health-Chem's Mr. Hyman, "salesmen are equivalent to the bards of medieval time." What's more, Borden's Mr. Stohl points out, suppliers know what's up before a new product is on the shelf. His probers ask supplier representatives how products are being used. To what advantage? How are savings achieved? What about weaknesses?

John Sargent believes that properly briefed purchasing people can open rich data pipelines. One trick is to check out the competitor's buying habits with a sharp eye for changes that take place. What special machine, component, packaging material did he buy, and why? Such information has a way of getting around the field, says Mr. Sargent, and it's to the supplier's advantage to circulate it.

Working the other side of the marketplace also pays off for some companies. "Getting close to the buyer has put more than one outfit in business," Mr. Sargent says. It works simply enough. A salesman calls on a buyer with a new item priced at \$4.98. The buyer likes the

How to Keep Tab on the Competition *continued*



product, but feels the tag is too high. So he goes to his favorite firm, yours, with the product sample and a proposition: "Can you make the item for 50 cents less?" If you can, you're in business.

Is it dirty pool? A moral case might certainly be made against the practice. But as Sy Hyman states, one has to be realistic. It's standard procedure, he says, in the apparel and many other industries for buyers to approach favored suppliers with a "knock-off" in mind. In his view, any item that goes to market becomes public information, and so is up for grabs.

In scouring the marketplace for competitive data, don't overlook the competitor himself. Milton Stohl encourages his intelligence sleuths to exchange information with competitive personnel at conventions, association meetings, trade shows and seminars.

But be wary of legal restrictions, he cautions. For example, the implications of discussing price information are well known. And you wouldn't expect competitors to trade data about new product plans or market tests.

Much useful information, however, is exchangeable. Compensation, business conditions, salesmen turnover and what can be done about it are all useful areas that can be discussed.

Get external pro's on your team—It's a good idea to look outside your own company for intelligence gathering assistance. Herculite's guide to employees recommends the use of research firms and consultants under certain conditions. A caution is sounded, however: "When working with consultants it's extremely important that they are fully briefed on your objectives and that your joint efforts are planned very carefully. Only then will your program be successful."

Mr. Sargent stresses the value of going to bankers, investment analysts and other specialists for help.

He also emphasizes the value of outside panels in

measuring your company's programs and plans against those of your competitors.

Your data—What do you do with the data once you get it? Obviously, the effectiveness of your evaluation will determine the success of your program. The important thing is to ask the kind of questions that will impact most meaningfully on your company's profits.

Some typical queries posed by Herculite: "Why do you think the competitor has been doing so well (or poorly) as indicated in the data? Do the data indicate a temporary condition or a well established trend? What do you think they are going to do about what has happened?"

At the heart of assessment for most manufacturing companies is the purchasing and analysis of competitive products. Borden Chemical's consumer products division devotes major time and effort to this chore. Items are broken down chemically and minutely examined in the lab. Says a Scott Paper official: "Competitive products are analyzed on the same basis as our own products for quality characteristics, and consumer or user acceptance is studied on a 'blind' survey basis."

A spokesman for Westinghouse's consumer products division notes: "We regularly purchase products made by our competition and submit them to the same exhaustive reliability tests to which we submit our own."

Is analysis of the competition always the answer? Emphatically not, according to Paul M. Forbes, chairman of Service Center, Inc., Totowa, N.J. He thinks the growing stress being laid on competitive intelligence is all wrong. It's the consumer who should be analyzed, he claims, not the competitor. "Emphasizing the competition," he adds, "puts the premium on getting there first. It ignores the all-important questions: Do we want to get there first? Indeed, do we want to get there?"

The trouble with focusing on the competition, he says, is that the emphasis is more on things than on people. The company that understands that the needs of people come first over everything else and gears its planning accordingly can achieve extraordinary results.

Define the goals you're shooting for—A well planned marketing intelligence program—whether it emphasizes the competitor, the consumer, or both—is costly. Mr. Hyman believes that the investment's a must and that, like any other vital business function, the program should include a set of realistic goals and the periodic assessment of achievement against expectation.

Says Mr. Hyman: "Will your competitive intelligence program produce more sales and profits for the company? If it will not, it is little more than a time-consuming gimmick. But many companies that have undertaken evaluation of their competition in the rough manner have found practical dollar and cents benefits accruing to them."

—RAYMOND DREYFACK

REPRINTS of "How to Keep Tab on the Competition" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Enclose remittance.

Survey Shows 322,000 Firms Are Minority-Owned



There are 322,000 minority-owned businesses in the United States, and they have \$10.6 billion in annual receipts, the U.S. Census Bureau reports in the first survey of this type it has made.

More than 80 per cent of these businesses have no paid employees and the owner-operators average about \$7,000 in receipts. The 90,000 firms with paid employees average about \$99,000 and about 700 firms have receipts of \$1 million or more.

A third of the firms with more than half the dollar receipts are in some form of retail trade, with restaurants and bars—27,000 of them—the most numerous. There are 23,000 food stores and a similar number of firms in the building trades. Food stores lead in total dollar receipts, with auto dealers and service stations next.

Minority-owned businesses tend to be concentrated in the largest U.S. metropolitan areas. For example, 88 per cent of those in New York State are in New York City; 86 per cent of those in Illinois are in Chicago; 76 per cent of those in Michigan are in Detroit. Los Angeles has 46 per cent and San Francisco 20 per cent of those in California.

Over the nation, about 50 per cent of the owners of minority enterprises are black; 30 per cent, Spanish-speaking; and 20 per cent, from other ethnic groups.

The Los Angeles area has the

largest number of minority-owned firms, more than 29,000 of them, with Mexican owners most numerous.

New York has almost 16,000. About half of the owners are blacks, a third Spanish-speakers, and a fifth "other"—roughly the same balance as is found over the United States as a whole. Among the Spanish-speaking owners in New York, most are Puerto Rican.

The San Francisco area ranks third in minority enterprises, with roughly 13,000, about half of them owned by Chinese or Japanese.

Chicago ranks fourth, with some 12,000 enterprises, about three fourths owned by blacks.

Washington, Houston, Detroit, San Antonio and Miami also have substantial numbers of minority-owned enterprises, ranking in the order given.

The survey was made as a guide for government agencies such as the Office of Minority Business Enterprise and the Small Business Administration. Most of the figures are for 1969, the most recent year for which business receipts were available at the time of the study.

Copies of "Minority-Owned Businesses: 1969" can be obtained for \$1.50 each from the Superintendent of Documents, Washington, D. C. 20402, or from field offices of the U.S. Department of Commerce located in principal cities. **END**

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How (see folder "Cubans in Miami")

Success— With a Spanish Accent

Thousands of penniless Cuban refugees have found the American Dream is reality; through hard work they have become a major economic force in booming Miami

The great American success story—retold with a Spanish accent—is alive and well in the sprawling Florida city of Miami.

Another chapter in the rags-to-riches tale is being written by Cuban immigrants, who fled penniless from Fidel Castro's Communist island over the last decade, settled in Miami and today are a large part of the city's middle class.

The great mass of refugees have achieved economic success in a time span and to a degree that is just short of spectacular. And what makes the story even more cheering is that the Cuban's swift climb from refugee to prosperous businessman is due primarily to his own talents, adaptability and industriousness.

Today there are colonies of Cubans scattered around the country through the resettlement efforts of the Cuban Refugee Program, a part of the U.S. Department of Health, Education and Welfare. New York, New Jersey, California and Illinois have some of the largest Cuban populations.

But nowhere is the Cuban success story as visible as it is in Dade County, Fla., and its principal city.

The Cuban influx has virtually "Latinized" Miami, making it bilingual, and giving it a flavor many old-timers think it lacked.

Although Cubans live in almost every section of the city and in the suburbs, the focal point of the colony

is centered along Eighth and Flagler Streets, in southwest Miami, "Little Havana."

The street conversations are in the rapid staccato of Spanish; the food, coffee and businesses are Cuban; the shop signs are in Spanish; the people read Spanish-language newspapers and listen to Spanish-language radio stations and watch Spanish-language television.

Si, yellow pages

Cubans account for about 87 per cent of the estimated 350,000 Latin Americans in a county that has a population of 1.3 million. In all, roughly 650,000 Cubans have left their country for the U.S. since Castro came to power in 1959.

Wherever the visitor to Miami turns, the Cubans' presence can be felt. They operate about 60 per cent of all the service stations in the city. Companies they own are putting up about 35 per cent of all construction, including a 40-story office building that will be the tallest in Florida when completed.

There are four bank presidents of Cuban origin in Miami, 36 vice presidents and about 125 other Cubans serving at other bank officer levels. At last count, Cubans operated 20 cigar manufacturing plants, 45 bakeries, 30 furniture factories, over 200 restaurants, a dozen private schools, 10 garment plants and three radio



PHOTO: FT. LAUDERDALE NEWS

has sometimes been far from easy
for Cubans to leave their homeland
the Castro era. These men have
most reached Florida and freedom.

Success—With a Spanish Accent

Alvarez

Carlos Arboleya heads Fidelity
National Bank. He is one of four
Cubans who hold the presidencies
of banks in Miami.



PHOTO: PLOP SCHULKE—BLACK STAR



Anthony C. Rivas (foreground) worked as a waiter in
a Miami Beach hotel after leaving Cuba. Today, he
runs a prosperous Miami real estate business. He drives
a telephone-equipped Cadillac and supervises a staff of 30.

Rivas

Success—With a Spanish Accent

continued

stations. There is even a Latin American phone directory for the city, published by a Cuban immigrant and his wife and daughter. It has 167 yellow pages of advertising for some 500 firms, many of them Cuban owned.

Other statistics point to the potent economic force Cubans have become in the local economy.

Total annual income of Cubans in Dade County was nearly \$600 million in 1971 and since 1967, the median income of Cuban families has risen from \$5,244 to \$7,200. Ninety per cent of Cuban families own autos; 39 per cent own their own homes and there is television and radio in virtually every home.

Local businessmen and bankers agree the Cuban influx that began in the early 1960s did much to boost the economy of south Florida. The area was in a recession at the time. Earlier strong population growth had flattened. Commercial development slowed, and overbuilding by eager developers left hundreds of homes empty.

But the arrival of the Cubans helped spark new growth. Dade County's economy became one of the most vibrant in a state which was among the fastest growing in the country during the 1960s.

Major portions of downtown Miami look a lot better today than they did 10 years ago, thanks to "Cuban renewal." As in other American cities, downtown Miami was going to seed as suburbia beckoned many. The Cubans moved in and did much to rehabilitate the area.

One department store executive credits the survival of his downtown store to newly arrived Cuban clientele. "Economically," says Dade County Mayor Stephen Clark, "the Cuban community is the best thing that ever happened to Miami."

Bilingual talent

Another facet of the Cuban immigration to south Florida has been a surge in the location of Latin American headquarters of big, blue chip firms in Dade County. A major reason is the pool of bilingual talent in the area. Thirty-three companies have set up shop in suburban Coral Gables alone.

Companies with trade headquar-

ters located in greater Miami include Dow Chemical, Eastman Kodak, Pfizer, International Harvester, Johnson-Manville, Coca-Cola and Goodyear. Many of the divisions are directed by Cubans.

Indeed, in the words of Carlos J. Arboleya, president of Fidelity National Bank and himself a former refugee, the area "is one of the fastest growing international trade centers in the world." Local air and port facilities are expanding at a fast pace to accommodate a 15 per cent rate of growth in exports and a 12-13 per cent growth rate in imports, he notes.

He cites estimates that a quarter of all firms doing business in Latin America will have offices in Dade County by 1975.

The successful Cuban transplant to U.S. shores is explained partly by the immigrants' backgrounds. They were the cream of their country's upper and middle classes—professionals, businessmen, teachers and craftsmen. Even in recent years, with the arrival of refugees such as farmers and semiskilled workers, the educational level of the Cuban has on average been exceptionally high. About 59 per cent of the immigrants graduated from high school; some 33 per cent have college educations.

Still, the barriers were formidable. Most refugees escaped with little or no money. Language was a major problem. Many Cuban businessmen, lawyers and other professionals worked as waiters, drove cabs or scraped by at other such jobs at first.

A classic example of the successful readjustment is Carlos Arboleya, who in eight years moved from refugee to president of a bank.

A Havana banker and former all-Cuban halfback at the University of Havana, Mr. Arboleya left Cuba in October, 1960, following Castro's nationalization of the banks. Arriving in Miami with his wife, Marta, a 2-year-old son and \$40, he sought a job in banking but was told he was "over-qualified."

A bus strike was on and after hitchhiking around for several days, he got a \$45-a-week job as a clerk in a shoe factory. In 18 months, he became comptroller of the shoe company. From there, he was able to return to banking. And in 1969 he was named



Spanish and English signs side by side in the "Little Havana" section testify to Miami's new bilingual character. *flame*

the president of Fidelity—at 40, the youngest bank president in the city. On the same day, he became an American citizen.

High on Americanism

While Mr. Arboleya credits hard work with much of the success in the Cuban immigration story, he is lavish in his praise of the opportunities he found. "Only in America," he says earnestly in his plaque-lined office, "could this happen. The opportunity is here if you want it." Like many of the successful Cubans in Miami, he is active in numerous civic projects and is politically conservative.

"I am very strong on Americanism," he says. On a nearby table are stickers for visitors with the slogans "America—Stand Up for It" and "America—Love It or Leave It."

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SO MUCH OF AMERICA DID

to-riches stories is that of David Egozi and Eugene Ramos who fled to this country in late 1960 with \$40,000 after the Castro government confiscated their shoe business.

They started a small shoemaking operation in Miami with 16 employees who turned out about 120 pairs of shoes a day. A loan of \$35,000 helped them along.

They saw a vast potential for leisure footwear in the U.S. and strove to introduce new production and marketing techniques to be able to undersell imports. Earnings were reinvested to purchase newer and more efficient machines.

Today, Suave Shoe Corp. employs 1,900, 99 per cent of them Cuban, who work in a modern 300,000-square-foot plant in an industrial park north of Miami. Daily output is 100,000 pairs of shoes. From sales of \$9 million and earnings of \$405,000 in 1965, the company rang up sales of \$55 million and earnings of \$2.6 million in fiscal 1971.

Mr. Egozi, 39, and Mr. Ramos, 46, are millionaires several times over.

Such stories—though few are on as grand a scale—abound in Miami. Time and again, refugees saw the need for a service or product, set up shop, worked hard and today have thriving businesses.

As middle class entrepreneurs, many of the newcomers had a talent for commerce, industry or a skilled trade, and a desire to achieve and succeed in their new country. The Cubans' collective success contains many tales of individual triumphs.

- Isidoro Rodriguez lost his \$3 million trucking company to Castro and came to the U.S. in early 1961. In Miami he began a catering service to sell Cuban fare to his countrymen who were streaming into the area. It led to the formation of National Foods, which today has annual sales of \$500,000. The big seller: banana chips, a snack food similar to potato chips.

- Anthony C. Rivas, 38, was a salesman in Cuba and worked as a waiter in a Miami Beach hotel after he came to the U.S. He took a course in income tax preparation and recruited customers by trudging door to door. Later he took a course in real estate, and got a license. Today he operates



Hard-working Cubans operate about 60 per cent of Miami's gas stations. Owner Hector Diaz (right) and mechanic Antonio Martinez stand in front of Mr. Diaz's garage, which does a thriving auto repair business.

a \$1-million-a-month real estate business, employing 30 salesmen. Active in civic affairs, he says: "We just try to help people and they come back."

- Rogelio Barrios left Cuba in 1961 because he "didn't like the Communists." He set up a small, used car business in Miami and perceived an opportunity for quality, custom-made auto seat covers. He and another employee labored from 6 a.m. to midnight. He recalls competitors said, "You won't last six months." Today he employs 10 and his seat cover business is thriving.

- Miguel Herrero was a well-known entertainer in Cuba and has built his supper club, "Los Bocheros," into one of the prime attractions in Little Havana night life. Mr. Herrero and his wife and son serve up flamenco dancing and Spanish songs along with Cuban cuisine that attracts Amer-

ican as well as Cuban-born patrons.

- Turner's is a family firm, like so many of the Cuban businesses. Father Benjamin and sons Moni and Luis run a company that produces handbags and provides airline stewardess accessories, such as gloves, scarves, belts and handbags, to U.S. domestic airlines. The company is benefiting from the trend toward career apparel in business and has a large piece of producing the accessories for American Telephone and Telegraph's shift to uniforms for its 600,000 female employees. "We saw the possibilities 10 years ago. We started to get the airlines. We got referrals," explains Luis Turner.

They repay debt

Traditionally strong family ties have played an important part in the Cuban community's ability to take

Success—With a Spanish Accent

continued

root in the U.S. Many of the 6,000 Cuban businesses in Miami are staffed with the sons, brothers, uncles, sisters and wives of the owner. And on a wider scale, later-arriving Cubans find homes, advice and jobs with the help of countrymen who preceded them to U.S. shores.

Another helping hand was the U.S. government. Through the efforts of the Cuban Refugee Program, no other immigrant group has been accorded a more helpful welcome to our shores. Since its beginning in early 1961 through fiscal 1971 the program, which includes flights from Cuba, food and health assistance, a separate welfare system and a job-oriented resettlement project, cost the U.S. taxpayer \$584 million.

But federal officials are quick to point out the Cubans have more than repaid the debt. "They have paid millions of dollars in local, state and federal taxes," says Howard H. Palmatier, director of the refugee program. "Their presence and efforts have created, directly or indirectly, literally thousands of jobs throughout the U.S.—which generate even more tax revenues."

In 1963, about 45 per cent of Cuban immigrants to the U.S. were receiving governmental assistance. Now, only about 10 per cent, or 50,000 Cubans, receive government help, with about 80 per cent of those over 60 years of age. Close family ties probably help keep some older or job-seeking Cubans from needing government aid.

Miami police report the Cubans are law-abiding citizens, laying to rest an early fear in the U.S. government that overcrowded and low-income neighborhoods would produce a high crime rate.

Inevitably, in a movement as large as the Cuban immigration, some frictions have developed.

Carlos Arboleya notes there is some resentment because of the rapid rise of the Cubans. "The large majority of people in Miami used to look upon



Rogelio Barrios watches as his wife Raquel sews a pattern at his auto seat cover shop. Many Cuban businesses in Miami are family affairs, staffed by the owners' wives, sons, daughters and other relatives.

us as the 'poor Cuban refugee,'" he says. "Now, almost overnight, they don't see us as poor anymore."

One major complaint against the refugees is that they moved into jobs that would have gone to Americans, particularly blacks.

Robert Sims, Dade County's community relations director, is one who believes Cubans moved into many clerk, sales and personnel type positions that would have gone to blacks. He also thinks the demand for bilingual workers in the area is another handicap for blacks.

There have also been problems in the areas of housing and education due to the Cuban immigration, Mr. Sims says. The problems of integration in the schools have been "compounded," he says, and adds: "Neither the Latin nor the black benefits from the other in integrated schools."

Cling to tradition

But overt friction between blacks and Latins has not been high, Mr. Sims says. "The conflict is not towards the Latins," he says, "but towards the white power structure."

Many native Americans think the Cubans are too clannish. Undoubtedly, they do tend to cluster. But many

Americans don't understand how much the Cubans value inherited ways of doing things. And as banker Carlos Arboleya points out, the Cubans are increasingly becoming more a part of the community—joining business groups, civic associations and school PTAs.

Many Cubans, in fact, fret about the "Americanization" of their children.

Language continues to be one of the problems in better communication. But the Cubans are learning English. And the Berlitz School of Language in Miami reports a lot of Americans are studying Spanish, about 80 per cent of them businessmen.

Cubans, Mr. Arboleya maintains, cannot be expected to expunge all traces of their past. "I can't be a good American if I'm ashamed of the country of my birth," he says. It's not an unreasonable sentiment, an American businessman points out, if you consider how other ethnic groups in the United States cling to some of their traditions.

"Both sides have to be diligent in understanding the needs of each other to make the final blending," says Mr. Arboleya. **END**



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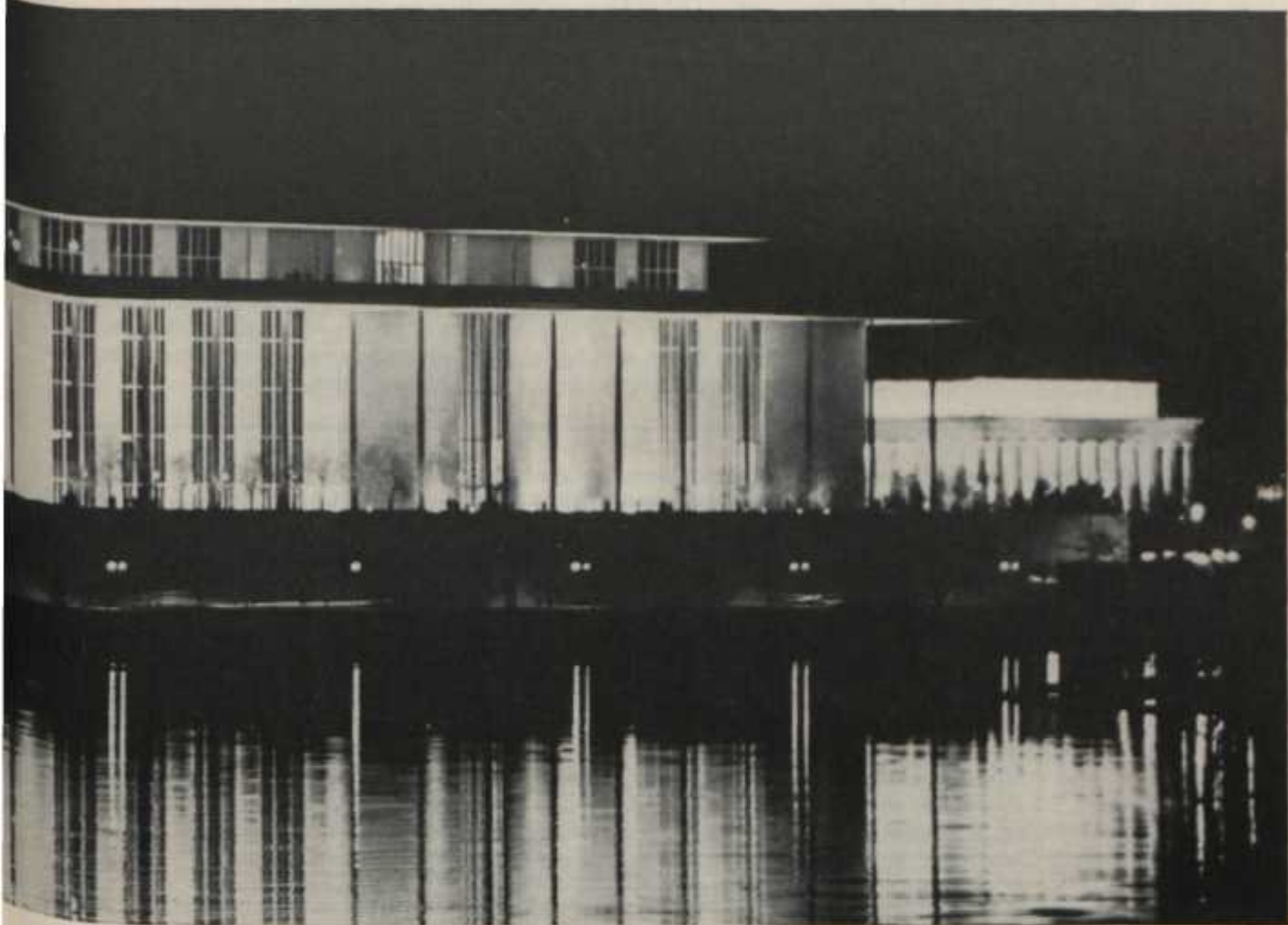
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BUSINESS

A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Instead of chemically treating soil to make it more hospitable for certain plants, you may in the future buy plants specially bred to live better in the soil as it is.

Dr. Charles D. Foy, of the U.S. Department of Agriculture's Agricultural Research Service, says tailoring plants to soils may be more effective and economical than vice versa, in many cases.

Typical problem soils are those with high surface and subsurface acid levels, and

mine spoils laced with toxic amounts of aluminum and other mineral elements. In acute cases, the cost of conventional liming and fertilization is prohibitive.

USDA scientists are working on selective breeding to create more tolerant plants.

"For example," says Dr. Foy, "by using aluminum-tolerant varieties one might grow barley or alfalfa—normally aluminum-sensitive—in soils where these crops have previously been total failures."

CONSTRUCTION

The optimistic long-range construction outlook has the metal building industry talking of \$700 million in sales by 1976, based on a compound annual growth rate of 10 per cent.

Last year, industry sales ran around \$425 million, which was about 11 per cent above 1970, according to the Metal Building Manufacturers Association.

This particular segment of construction has experienced nearly treble the growth of the overall industry during the past decade.

In the aluminum industry the construction market has helped at a time when world-wide production spurted far ahead

of demand. Aluminum Co. of America, for example, reports that shipments for commercial, industrial and residential construction "continue to improve."

One promising product is aluminum framing to replace wood in home construction.

But nonresidential uses are particularly impressive. Alcoa Chairman John D. Harper, in a 1971 year-end report, noted that installation of curtain walls of aluminum was nearing completion on the twin towers of the World Trade Center in New York, and that the Sears tower in Chicago, which will be the world's tallest building, will be sheathed in aluminum.

NATURAL RESOURCES

Oil-eating bacteria, heralded by environmentalists as one method of clearing up accidental spills, may be helpmates to geologists searching for new petroleum reserves.

Standard Oil Co. (Indiana) scientists say they have solved the mystery of why some crude oil is free-running and other crude is near-asphalt in consistency. The solution: bacteria that have lived in oil pools for eons.

In addition to crude oil, the bacteria need fresh water and warm temperature to survive. They eat all or part of the normal paraffin portions of the original crude oil, plus gasoline, fuel oil and lubricating oil components in it, and probably even liquid propane and butane.

Company officials estimate that bacteria have destroyed 10 per cent of the world's total oil reserves and have sharply reduced

in value another 10 per cent. But there is a bright side. The largest and healthiest bacteria usually live on the edges of oil-bearing basins, because that's where fresh water seeps down. Geologists find this helpful in mapping a field and in prospecting.

Normally, geologists look for oil-trapping geological structures, such as salt domes. But now they've learned that the bacteria, if they eat long enough, actually construct asphaltic dams in the underground pools.

They're looking for such dams, in hopes of finding oil trapped inside.

Experts believe these undetected reserves may be immense. One possible way to detect their existence will be to test fluids in underground formations to determine if they have such bacterial residents, or had them at one time.

FOREIGN TRADE

The U.S. balance of payments position will get a big assist if foreign airlines buy the used jets that American air carriers are expected to want to dispose of this year.

In all, foreign airlines are predicted to need 189 jets.

The U.S. scheduled airline industry had 189 jets on order at the end of 1971, according to the Air Transport Association of America. This is just a numerical coincidence; actually, 82 jets are to be delivered in 1972.

The Federal Aviation Administration says

there is a potential export market for 167 four-engine and 22 twin-engine jet transport-type aircraft. However U.S. airlines won't have that large a surplus. FAA estimates they will want to dispose of 112 four-engine jets which have a book value of some \$252 million. Overhaul costs are estimated at \$84 million and spare parts and engines at \$39 million.

Whatever part of the market that cannot be supplied by U.S. airlines will probably be met by large foreign air carriers, who also are updating their jet fleets.

LEISURE

The boating industry is predicting a solid upsurge in business this year, with retail sales approaching \$3.8 billion.

Like most other businesses, boating took a nose dive in 1970. But in 1971, it made an amazing comeback, reports Boating Industry Association President Howard Larson.

The BIA and the National Association of Engine and Boat Manufacturers estimate 1971 sales increased \$170 million to a record \$3.6 billion.

The number of recreational boats in use

on the nation's waterways will cross the nine million mark this year, and over 45 million Americans will take to the water at least once.

Outboard motor sales are skimming along (skilled workers are the best customers for them, a BIA survey shows) but business is vigorous, too, in sales of higher-priced yachts.

W. F. Rockwell Jr., chairman of the board of North American Rockwell Corp., reports his Hatteras Yacht division developed its biggest backlog in history during 1971.

MARKETING

The nation's wholesaler-distributors are betting on a 10 per cent increase in merchant wholesale sales in 1972, with the total approaching \$300 billion.

Last year's sales growth was about 9 per cent, advises the National Association of Wholesaler-Distributors.

Profits last year were around 3 per cent of sales. The profit picture is expected to improve to around 5 per cent this year.

Strongest sales gains are seen for durables, which picked up last year after a lag in 1970. As an example, of 20 commodity groups surveyed recently by the Association, the lumber and construction industry

has shown the greatest bounceback. After suffering a 6 per cent decline in 1970, it posted a 20 per cent sales increase in 1971.

Paul L. Courtney, board vice chairman at NAW, flags as another good signal the turnaround in average days outstanding for accounts receivable.

In 1969, the average period for outstanding accounts was 42 days. It moved up to 44 days in 1970.

Last year, the average declined to 43 days—to the joy of wholesaler-distributors. The typical businessman in this field has 40 per cent of his assets tied up in accounts receivable.

REGULATION

Business will do well to watch closely attempts to create a superagency for antitrust enforcement.

Such an agency would be formed if the Corporation Control Act, sponsored by Rep. Emanuel Celler (D.-N.Y.), is passed. Enactment would mean a major revamping of the concept of antitrust violations and business behavior in general.

The bill would establish a Cabinet-level "Office of Industrial Organization," and set up new standards of antitrust legality. It would give the agency power to enforce

antitrust policy through rule-making, administrative orders and other measures, including directing the Justice Department to file suits (subject to Presidential veto).

Antitrust powers held by agencies now regulating specific industries would be given to the new agency.

But the greatest change could come from a policy in the bill under which the agency's administrator would be empowered to prevent or dissipate any "undue concentration of economic power in interstate or foreign commerce."

A BUSINESS LOOK AHEAD

Editorial **Easy?**

You may notice a big poster in your post office with the red headline: "Taxes Made Easy."

It's advertising a booklet by Internal Revenue which makes filling out tax forms easier. A good one.

Filling out forms is one thing, paying taxes is another.

Unless the federal spending spiral is reversed, paying the higher taxes that will be needed can't possibly be made easy. All of us will find it harder and harder.



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